

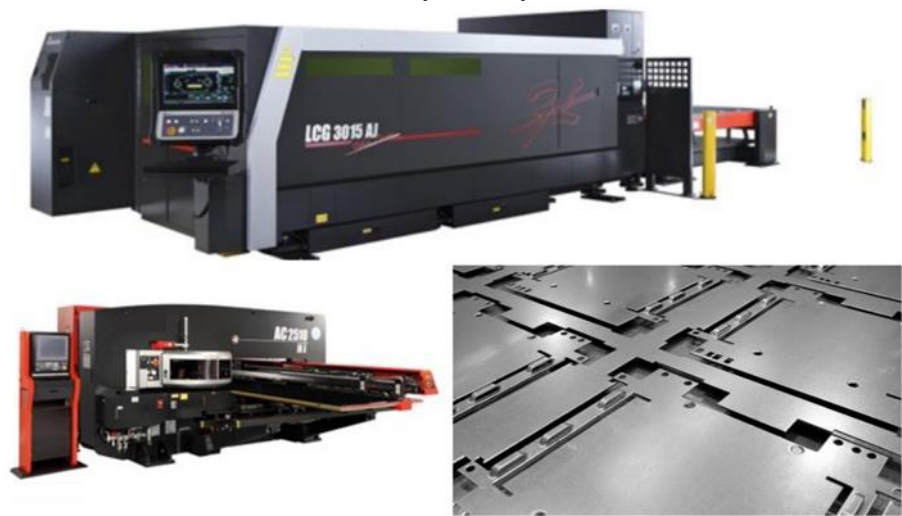
7. BUSINESS OVERVIEW (CONT'D)

(b) CNC turret punching machine

A CNC turret punching machine is equipped with a turret with punching tools of different shapes and sizes. The turret can be rotated to bring any tool into the punching position. It is more efficient in creating multiple holes of different shapes and sizes in one punching sequence compared to cutting each hole one at a time using a cutting machine. In addition, a CNC turret punching machine can simultaneously punch several workpieces on one large metal sheet thus increasing production speed. A CNC turret punching machine is mainly used to punch simple shapes compared to using a CNC laser cutting machine which can create more complex cut-outs.

As at the LPD, we have 1 unit of CNC turret punching machine, which we mainly use to work on carbon and electrogalvanised steel sheets.

Examples of our CNC laser cutting and turret punching machines, and sample workpiece



Top: CNC laser cutting machine; Bottom left: CNC turret punching machine; Bottom right: Sample workpiece after punching

(c) CNC combined laser cutting and turret punching machine

CNC combined laser cutting and turret punching machines integrate the laser cutting and turret punching functionalities in a single machine. This enables both laser cutting and punching to be carried out on metal sheets concurrently without loading and unloading.

As at the LPD, we have 2 units of CNC combined laser cutting and turret punching machines. Our largest CNC combined laser cutting and turret punching capabilities enable us to carry out cutting and punching on metal sheets measuring up to 1.50 metres by 3.00 metres with a minimum tolerance of +/- 50 microns.

Example of our combined CNC laser cutting and turret punching machines



7. BUSINESS OVERVIEW (CONT'D)

(d) CNC bending machines

We use CNC bending machines to accurately bend metal bars, rods, plates and sheets to the desired angle through CNC control. Our CNC bending machines can achieve dimensional accuracy of +/- 0.5 degrees. As at the LPD, we have 12 units of CNC bending machines, which is capable of accommodating workpiece length of up to 3.23 metres with a maximum bending force of 130 tonnes.

Examples of some of our CNC bending machines



(e) CNC robotic-arm welding machines

We utilise CNC robotic-arm welding machines as part of the process of fabricating semifinished metal products and metal parts. These machines comprise a metal inert gas (MIG), tungsten inert gas (TIG) or laser welding head attached to a robotic arm. The movement of the robotic arm and operation of the welding head are CNC controlled. The robotic arm has a 3-axis movement to position the welding head around the workpiece, which is secured to a jig. With CNC control, the welding machines allow for precise and consistent welding.

In addition, 2 of our CNC robotic-arm welding machines are equipped with rotary tables. The rotary table holds the jig and workpiece, and is controlled by CNC to rotate the workpiece around the x-axis (left and right movement) to enable welding of more complex workpieces.

Examples of our CNC robotic-arm welding machines



Left: CNC robotic-arm laser welding machine; Right: CNC robotic-arm MIG welding machine

Our CNC robotic-arm welding machines utilise the following welding methods:

- In MIG welding, the welding arc and consumable welding electrode are protected by a continuous flow of inert gas to prevent airborne contaminants from coming into contact with the welding site. The welding electrode is made from metal compatible with the workpiece being welded. It is continuously fed through the welding head as it melts and forms part of the weld after it cools and solidifies;

7. BUSINESS OVERVIEW (CONT'D)

- In TIG welding, the welding site and non-consumable welding electrode are also protected by a continuous flow of inert gas to prevent airborne contaminants from coming into contact with the welding site. The welding electrode does not melt and the weld is composed solely of metal from the pieces being joined.
- In laser welding, the heat to melt the metal is provided by a focused laser beam. Laser welding is a contactless method that results in less distortion of the workpiece. As the focus, intensity and duration of the laser beam are precisely controlled by CNC programs, laser welding can produce accurate, smooth and clean welds that require less post-welding buffing and polishing compared to other welding methods.

As at the LPD, we have 6 units of CNC robotic-arm MIG welding machines, 1 unit of CNC robotic-arm TIG welding machine and 1 unit of CNC robotic-arm laser welding machine.

(f) CNC milling machines

In a CNC milling machine, cutting (which is also referred to as machining) is a process carried out by a rotating cutting tool that is used to remove materials from a fixed workpiece to produce the desired product. Precise control of the cutting tool and/or workpiece through CNC programmes enables the production of metal pieces with a high degree of precision, finishing and consistency across all machined pieces.

We use 3-axis and 5-face CNC milling machines. In a 3-axis machine, the cutting tool can move along 3 axes, namely the x-axis (left-and-right movement), y-axis (forward-and-back movement) and z-axis (up-and-down movement) to remove materials from the workpiece. A 5-face machine can work on 5 faces of the workpiece, namely the top, both sides and front and back. The cutting tool has 3 degrees of movement described above, with the addition of back and forth on a set of rails relative to the fixed workpiece.

We have large format CNC milling machines where the milling tool is mounted on a double-column support structure that moves backwards and forwards on a set of rails, while the workpiece is fixed on a horizontal bed, which enables us to work on larger and heavier workpieces. Large format refers to workpieces with width, length and/or height that exceed 1.00 metre. We also have conventional format CNC milling machines where the milling function is housed within a standalone machine, which are used for machining workpieces where the width, length and height are less than 1.00 metre.

Our large format CNC milling machine



As at the LPD, we have 3 units of large format and 5 units of conventional format CNC milling machines.

Our largest milling machine is a CNC double-column 5-face milling machine with maximum x, y, z axis travel of 4.10 metres by 2.70 metres by 1.30 metres with the capability to machine metal pieces with a minimum tolerance of +/- 30 micron.

7. BUSINESS OVERVIEW (CONT'D)

7.4.5 Surface treatment and coating

Some of the portions of the semifinished metal products and metal parts that we fabricate are surface treated and/or surface coated to provide corrosion and scratch resistance, and in some cases for aesthetic purposes.

Surface treatment may be carried out before coating to ensure that the surface is clean and conducive for coating purposes. The surface treatments that we carry out in-house include the following:

- Sandblasting uses high-pressure airflow to spray the surface with fine solid particles to remove rust and surface corrosion and create a smooth surface;
- Degreasing with a detergent solution to remove oil and dirt from the metal surface;
- Buffing is carried out to remove surface residue and excess material; and
- Zinc phosphate treatment of carbon steel items to inhibit rust formation and as a primer for subsequent powder coating.

We carry out zinc electroplating, powder coating and spray painting in-house as described below. Where required, we also engage third-party subcontractors to carry out other types of surface treatment such as chemical film treatment or other types of surface coatings such as nickel electroplating, chrome electroplating and aluminium anodising.

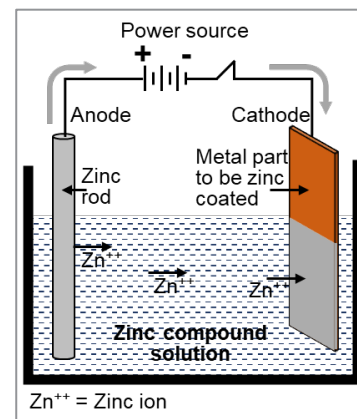
We have the following in-house surface coating facilities:

(i) Zinc electroplating line

Zinc electroplating bonds a thin layer of zinc on the surface of a metal item.

This process involves immersing the metal item and a zinc rod in a zinc compound solution to form an electrical circuit. When an electrical current runs from the metal item (cathode or negative end) through the solution and to the zinc rod (anode or positive end), zinc from the rod will dissolve into the solution and migrate to bond with the surface of the metal item, thus coating the metal item with a layer of zinc. After some time when the desired thickness of the zinc coating has been achieved, the metal item is removed to stop the electroplating process.

Our zinc electroplating line is manual where metal pieces are manually hung on a supporting beam and removed when the desired zinc coating thickness has been achieved. As at the LPD, we have 1 zinc electroplating line with 6 chambers to carry out the zinc electroplating simultaneously.



Our zinc electroplating line



7. BUSINESS OVERVIEW (CONT'D)

(ii) Powder coating line

The powder coating process involves applying a layer of fine resin powder on the metal item. Once the metal item is uniformly powder coated, it is passed through an oven and baked for a specified period. The heat melts the resin powder and causes it to form a continuous plastic-like surface coating upon cooling. Powder coating is used to protect the underlying metal from corrosion, and it is typically more durable than paint. The powder coat can be clear or of a desired colour to provide aesthetics to the item.

We use powder coating for some metal covers, as required by our customers. As at the LPD, we have 4 powder coating lines with 4 ovens.

Our powder coating line incorporating powder spraying and oven



(iii) Spray painting

Spray painting involves spraying the metal item with liquid paint, which is then heated to allow the paint to cure and form a protective surface coating.

We mainly use water-based and solvent-based paints for spray painting. As at the LPD, we have 1 spray painting line.

Our spray painting booth



7.4.6 Engineering support

Our fabrication business activities are supported by our in-house design, engineering and programming capabilities.

The semifinished metal products and metal parts that we fabricate are based on designs and specifications provided to us by our respective customers. Before we commence our fabrication process, our in-house new product introduction engineers will work together with our customers using their initial design as the starting point to develop technical drawings and fabrication processes, including adding value by improving on our customers' initial designs. Our production engineers and process engineers will also work with our customers on an ongoing basis to optimise product and part design taking into consideration the fabrication processes. Our CAM engineer programs the CAM instructions that are uploaded to our CNC machines to control their actions. Our compliance engineer is responsible for guiding, supervising and overseeing our production operations to ensure that they comply with the applicable laws and regulations.

These in-house engineering works are carried out using Solidworks CAD design software, which our in-house new product introduction engineers use to generate 3D drawings and models. Solidworks is a subscription based software which is renewed on an annual basis. We use Mastercam CAM software to program the CAM instructions based on CAD drawings, which was purchased based on one-time payment with no renewal fees. As at the LPD, we have 13 user licences for Solidworks CAD design software and 1 user licence for Mastercam CAM software.

7. BUSINESS OVERVIEW (CONT'D)

In addition, our in-house engineers would design the jigs and fixtures that are used to hold and accurately position the workpiece as they are cut, machined or welded during the fabrication or machining process.

As at the LPD, we have a total of 12 engineers comprising 7 new product introduction engineers, 3 production engineers, 1 CAM engineer and 1 compliance engineer to provide engineering support for our fabrication operations.

7.4.7 Quality assurance

We have quality assurance programmes to ensure that our fabricated semifinished metal products and metal parts, and assembled finished walk-through metal detectors always meet customers' specifications. Our quality assurance team will carry out in-process inspection and final inspection and testing as per our ISO 9001:2015 quality management system.

This is reflected in some of the testing and inspections that we carry out including the following:

- Measurement test to ensure the geometry of the completed fabricated metal bodies fall within the required tolerance specified in the drawings;
- Critical dimension inspection of completed fabricated metal bodies, accessories and parts to verify that the specific parameters such as straightness, bend angle, space between gaps, the thickness of material and size, shape and dimensions of openings fall within the required tolerance specified in the drawings. The parameters of measurement would depend on the product that is involved;
- Checking the proper functioning of equipment and accessories installed in metal bodies, such as doors, windows and handles;
- 12-hour burn-in and functional testing for completed walk-through metal detectors; and
- Visual inspection of completed fabricated semifinished metal products and metal parts, and assembled finished products.

As at the LPD, our quality assurance team comprises 9 personnel, of which 3 of them are engineers.

7.5 OPERATIONAL FACILITIES

Details of our operational facilities are as follows:

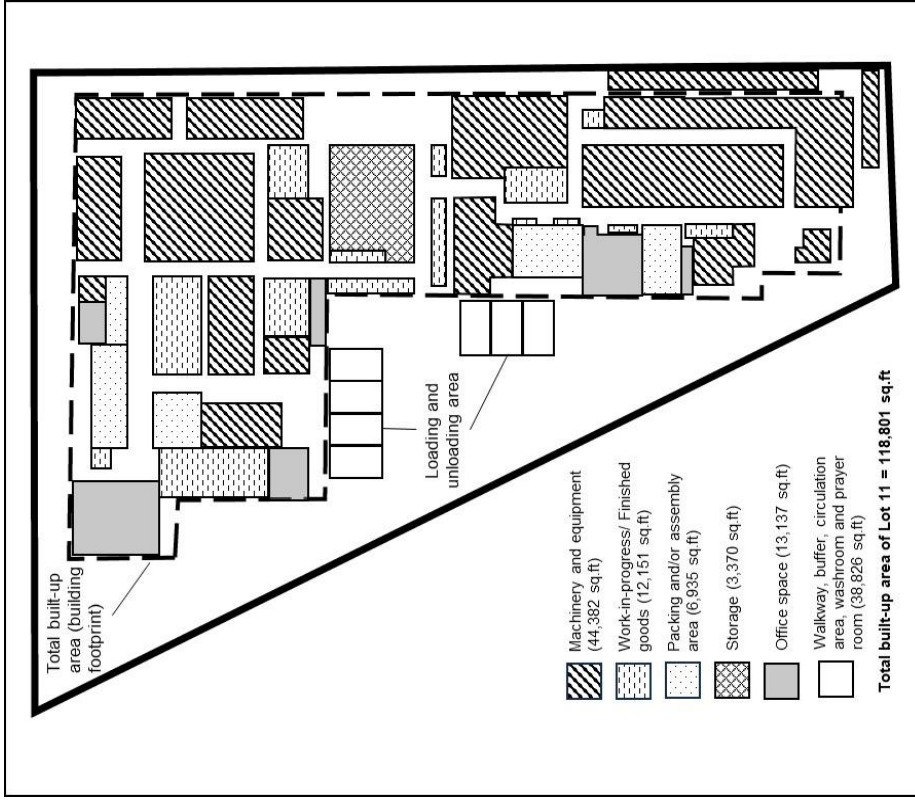
Our subsidiary	Main functions	Address
WESB	Group's head office, and fabrication and assembly plant (Lot 11) ⁽¹⁾	No 11, Jalan Gagah, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor, Malaysia
	Fabrication plant (Lot 58) ⁽¹⁾	No 58, Jalan Langkasuka, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor, Malaysia
WEPL	Office	1 Corporation Drive #07-09 Revv Singapore 619775

7. BUSINESS OVERVIEW (CONT'D)

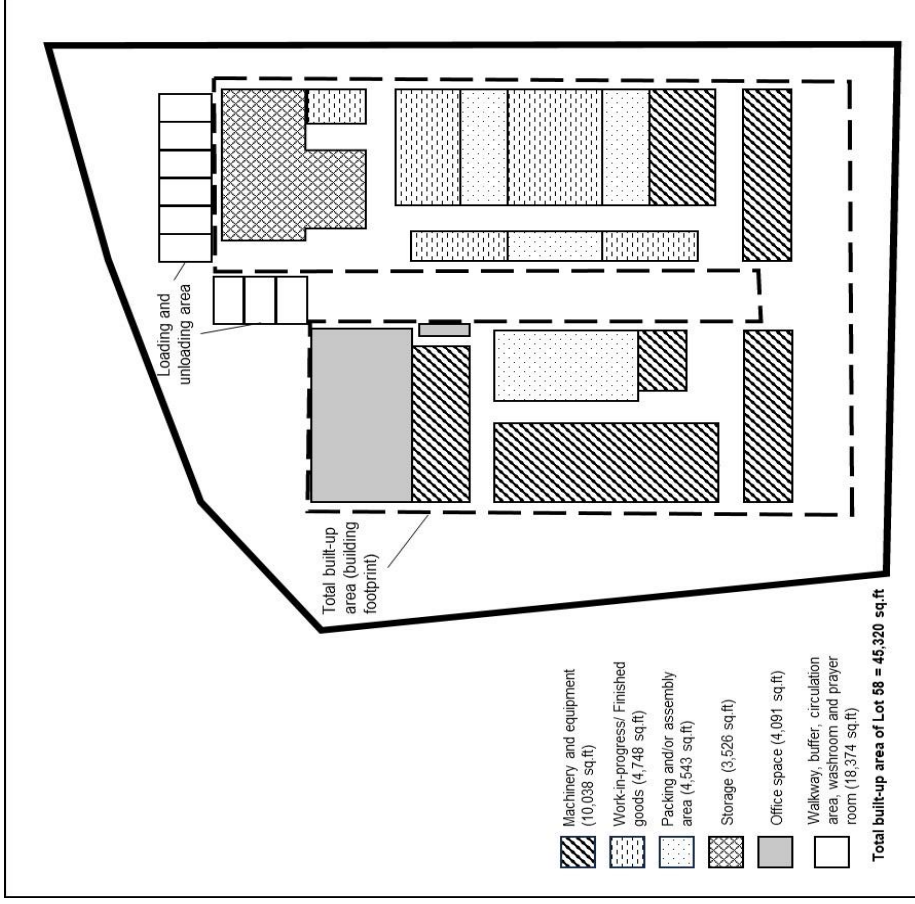
Note:

(1) An illustration of our utilisation of floor space at Lot 11 and Lot 58 is as follows:

Lot 11



Lot 58



7. BUSINESS OVERVIEW (CONT'D)**7.6 MAJOR MACHINERY AND EQUIPMENT**

As at 30 September 2023, the major machinery and equipment used for our operations include the following:

Major machinery and equipment	Brief description	Number of units	Average age (Years)	Total NBV as at 30 September 2023 (RM'000)
CNC laser cutting and/or turret punching	The CNC laser cutting function is used to cut metal sheets into any shape, as well as cut out various designs in metal sheets. The CNC turret punching function is used to punch multiple holes of various shapes and designs in metal sheets.	8	8	*
- CNC combined laser cutting and turret punching machine	<i>Combines laser cutting and turret punching in a single machine.</i>	2	8	*
- CNC turret punching machine	<i>Used to punch holes of the specified size and shape into metal sheets.</i>	1	8	*
- CNC tube laser cutting machine	<i>Used to precisely cut metal tubes, bars, rods and profiles.</i>	1	8	*
- CNC laser cutting machine	<i>Used to precisely cut metal sheets into any shape.</i>	4	9	*
CNC bending	Used to shape metal sheets, plates, bars and rods into a curve or angle.	12	9	44
Welding	Used to weld metal pieces to join them together.	14	4	859
- CNC robotic-arm laser welding machine	<i>Performs metal welding with precision using the laser welding method.</i>	1	4	174
- CNC robotic-arm welding machine (MIG)	<i>Performs metal welding with precision using the MIG method.</i>	6	2	391
- CNC robotic-arm welding machine (TIG)	<i>Performs metal welding with precision using the TIG method.</i>	1	7	*
- Hand-held laser welding sets	<i>Used for manual welding where CNC robotic-arm welding is not practical.</i>	6	1	294

7. BUSINESS OVERVIEW (CONT'D)

Major machinery and equipment	Brief description	Number of units	Average age (Years)	Total NBV as at 30 September 2023 (RM'000)
CNC milling machines	Used for milling process where materials are gradually removed from workpieces.	8	6	730
- Large format CNC milling machine	Used to perform milling on workpieces with dimensions up to 4.10 metres by 2.70 metres by 1.30 metres.	3	5	526
- Conventional format milling machine	Used to perform milling on workpieces with dimensions of less than 1.00 metre in length, width and height.	5	7	204
Total				1,633

Note:

* Fully depreciated as at 30 September 2023.

7.7 PRODUCTION CAPACITY, OUTPUT AND UTILISATION**7.7.1 Fabrication of semifinished metal products and fabrication of metal parts**

We fabricate semifinished metal products comprising metal bodies and accessories, and metal parts at our Lot 11 and Lot 58 fabrication plants at Taman Perindustrian Larkin in Johor Bahru. As these products and parts are fabricated using the same machinery and equipment and at both fabrication plants, the production capacity, output and utilisation rates of our fabrication plants are assessed collectively as it is not practical to segment them separately.

The main in-house machinery and equipment categories that apply to our fabrication of semifinished metal products and fabrication of metal parts business activities are CNC laser cutting and turret punching, CNC bending, CNC welding, CNC milling and surface coating (comprising zinc electroplating, powder coating or spray painting). The methodology used to calculate capacity, actual usage and utilisation rates of these major machinery and equipment categories is as follows:

- For FYE 2020, FYE 2021 and FYE 2022, capacity for each machine or equipment is calculated based on 20 operating hours per day from Monday to Sunday for 365 days per year, less 15 gazetted public holidays and less 5% to take into account machinery downtime and maintenance, equivalent to 6,650 hours per year;
- For FPE 2023, capacity for each machine or equipment is calculated based on 20 operating hours per day from Monday to Sunday for 273 days for FPE 2023, less 13 gazetted public holidays and less 5% to take into account machinery downtime and maintenance, equivalent to 4,940 hours for FPE 2023;
- For major machinery and equipment that were purchased and became operational during a particular financial year or financial period, the capacity for the respective machinery and equipment is pro-rated accordingly;
- Actual usage is the actual number of hours that fabrication activities were carried out for each major machinery and equipment category during the respective FYE or FPE; and

7. BUSINESS OVERVIEW (CONT'D)

- The utilisation rate is calculated by dividing the actual usage by the capacity for the respective FYE or FPE.

	Capacity (hours)	Actual usage (hours)	Utilisation rate (%)
CNC laser cutting and/or turret punching			
FYE 2020	53,200 ⁽¹⁾	31,579	59
FYE 2021	53,200 ⁽¹⁾	38,504	72
FYE 2022	53,200 ⁽¹⁾	41,064	77
FPE 2023	39,520 ⁽¹⁾	28,909	73
CNC bending			
FYE 2020	79,800 ⁽²⁾	43,641	55
FYE 2021	79,800 ⁽²⁾	49,401	62
FYE 2022	79,800 ⁽²⁾	55,162	69
FPE 2023	59,280 ⁽²⁾	37,218	63
Welding			
FYE 2020	19,950 ⁽³⁾	8,336	42
FYE 2021	22,166 ⁽⁴⁾	11,209	51
FYE 2022	48,206 ⁽⁵⁾	27,585	57
FPE 2023	65,869 ⁽⁶⁾	35,713	54
CNC milling			
FYE 2020	46,548 ⁽⁷⁾	25,317	54
FYE 2021	53,200 ⁽⁸⁾	33,746	63
FYE 2022	53,200 ⁽⁸⁾	35,808	67
FPE 2023	39,520 ⁽⁸⁾	26,333	67
Surface coating			
FYE 2020	33,250 ⁽⁹⁾	17,791	54
FYE 2021	33,250 ⁽⁹⁾	20,599	62
FYE 2022	33,250 ⁽⁹⁾	21,402	64
FPE 2023	24,700 ⁽⁹⁾	16,550	67

Notes:

- (1) We had 8 units of CNC laser cutting and/or turret punching machines operational for 12 months of FYE 2020, FYE 2021 and FYE 2022, and 9 months of FPE 2023.
- (2) We had 12 units of CNC bending machines operational for 12 months of FYE 2020, FYE 2021 and FYE 2022, and 9 months of FPE 2023.
- (3) We had 3 units of welding machines operational for 12 months of FYE 2020.

7. BUSINESS OVERVIEW (CONT'D)

- (4) We had 3 units of welding machines operational for 12 months and 1 additional unit operational for 4 months of FYE 2021.
- (5) We had 4 units of welding machines operational for 12 months, 1 additional unit operational for 8 months, 4 additional units operational for 6 months, 1 additional unit operational for 5 months and 1 additional unit operational for 2 months of FYE 2022.
- (6) We had 11 units of welding machines operational for 9 months, and 3 additional units operational for 7 months of FPE 2023.
- (7) We had 6 units of CNC milling machines operational for 12 months, 1 additional unit operational for 8 months, and 1 additional unit operational for 4 months of FYE 2020.
- (8) We had 8 units of CNC milling machines operational for 12 months of FYE 2021 and FYE 2022, and 9 months of FPE 2023.
- (9) We had 4 powder coating lines and 1 zinc electroplating line operational for 12 months of FYE 2020, FYE 2021 and FYE 2022, and 9 months of FPE 2023.

7.7.2 Assembly of walk-through metal detectors

Measures of capacity and utilisation are not relevant for our assembly of walk-through metal detectors business as the assembly process primarily utilises manpower and does not involve the use of specialised machinery and equipment.

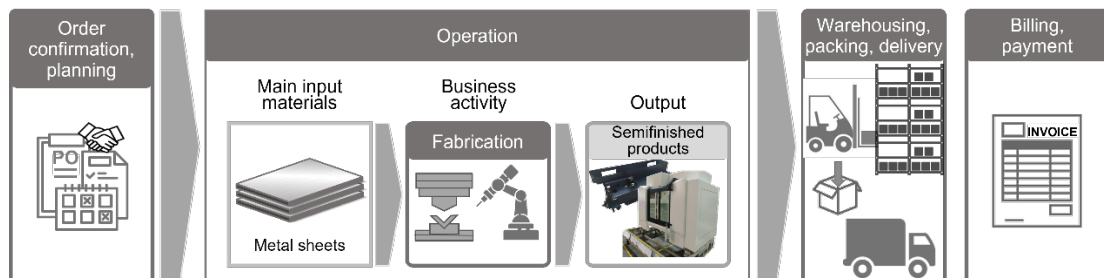
7.8 PROCESS FLOW

We carry out 3 operational processes serving as our main revenue streams as follows:

- Fabrication of semifinished metal products;
- Fabrication of metal parts; and
- Assembly of finished products for walk-through metal detectors.

7.8.1 Fabrication of semifinished metal products

The following diagram depicts our process flow for the fabrication of semifinished metal products:



- **Order confirmation and planning**

Upon agreement with all technical specifications and commercial terms, the customers will issue purchase orders for us to fulfil. The quantity and price of the products, as well as the delivery destinations, schedules and other terms, are determined at this stage. After securing the purchase order, our planning team will commence preparation works.

For each new product, we will receive a drawing that is generated by the customer. Our in-house engineering team will then use Solidworks CAD design software to generate 3D drawings and models and provide suggestions to optimise the fabrication process, if necessary. We will commence preparations for production upon receiving approval from the customer.

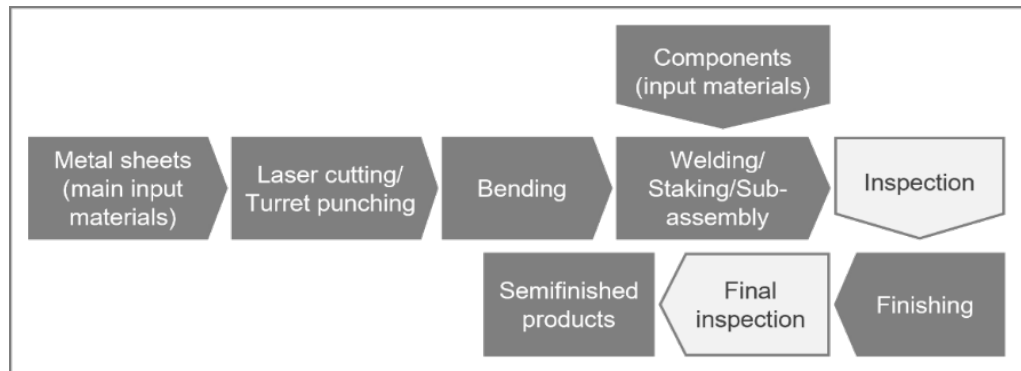
We can proceed with the planning preparation once we receive the purchase order from our customers. Some of our customers will provide us with rolling forecasts of up

7. BUSINESS OVERVIEW (CONT'D)

to 6 months for material and production planning, followed by confirmed purchase orders. Delivery schedules are confirmed on a monthly or weekly basis to provide us with sufficient time to plan and carry out fabrication and final delivery. For the fabrication of semifinished metal products, the time typically required between receiving a confirmed purchase order and the products being packed and ready for delivery is around 4.5 months.

- **Operation**

The detailed process flow for our fabrication operations is as follows:



Our key input materials are metal sheets and tubes made from carbon steel, stainless steel and aluminium in various thicknesses, widths and lengths, purchased from both local and foreign suppliers.

We fabricate the metal sheets and tubes based on the customer's specifications either using CNC machines with programmed instructions or machines that are manually operated. We usually start with laser cutting and turret punching to form the required shapes on the workpiece. A turret punching machine is often used to punch holes with simple shapes on thin metal sheets, while a laser cutting machine is often used to cut thick metal sheets and/or complicated designs.

After laser cutting, the workpiece is deburred to remove sharp edges from the workpiece, and then bent into the desired curve or angle as per the drawing requirement.

Next, we put together different workpieces that we fabricated with procured parts through welding, staking or assembling processes.

Welding is carried out to join two or more metal pieces and/or parts together. We utilise three welding methods, namely laser welding, MIG welding and TIG welding.

The staking process involves joining fasteners to workpieces.

The workpiece will be inspected throughout the fabrication process on critical dimensions before they are sent for the finishing process. Any workpieces that do not conform to specifications will be sent back to the relevant workstation for rework. Workpieces that comply with the specifications would be sent for surface treatment such as sandblasting, degreasing, buffing, zinc phosphate treatment and/or chemical treatment in preparation for surface coating.

Powder coating process for our fabricated parts



7. BUSINESS OVERVIEW (CONT'D)

Depending on the customer's specification, our in-house surface coating process involves either zinc electroplating, powder coating or spray paint for corrosion resistance and/or aesthetics. The surface coated workpieces are then sent for inspection to ensure that they are in accordance with the customer's requirements.

Assembly involves joining the workpieces with procured parts and other materials with the appropriate fastener. Procured parts may include (depending on the semifinished metal products involved) mechanical and electrical equipment such as cooling fans, pumps and motors, wiring and sensors, fittings, rollers, castors, rails and conveyor belt, and lead sheet lining.

In some situations, such as urgent requests where we have conflicting schedules or special orders that require machines or facilities that we do not own, we would engage subcontractors to carry out specific portions of the fabrication and/or surface coating processes.

- **Warehousing, packing and delivery**

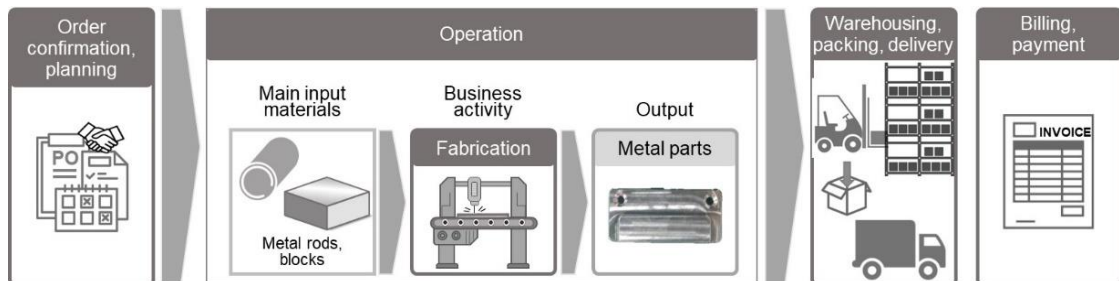
Upon completion of the fabrication process, the final product will be labelled, packed and ready for delivery to the designated destinations.

- **Billing and payment**

Our accounts department will then prepare the sales invoice that matches the signed and stamped delivery order, and subsequently send the sales invoice out to the customer.

7.8.2 Fabrication of metal parts

The following diagram depicts our process flow for the fabrication of metal parts:

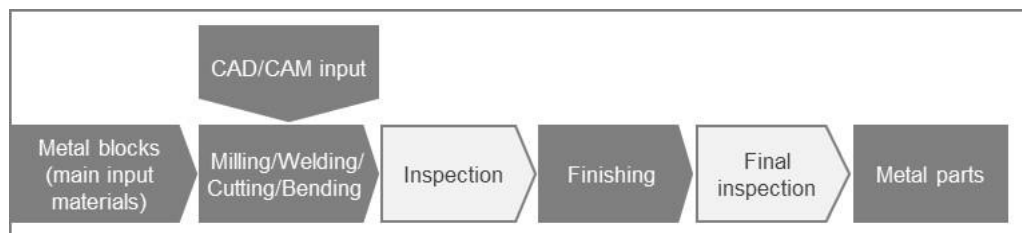


- **Order confirmation and planning**

This process is similar to "Order confirmation and planning" as described in Section 7.8.1. For the fabrication of metal parts, the time typically required between receiving a confirmed purchase order and the products being packed and ready for delivery is around 3 months.

- **Operation**

The detailed process flow for our fabrication operations is as follows:



7. BUSINESS OVERVIEW (CONT'D)

Depending on the material and size of the parts that we wish to fabricate, the appropriate metal block or rod is selected as the workpiece to be worked on using the appropriate machines. Typically, we use our CNC machines to carry out our fabrication operations.

We first use the CAD software to design and generate a model of the product based on drawings provided by the customer, which will be used as input into the CAM software to generate the programmed instructions to carry out the machining or other fabricating functions. Common machining functions include milling, while other fabricating functions include laser welding, laser cutting and bending. The workpiece will undergo several machining processes to achieve the finished shape and dimensions with a typical tolerance limit ranging from 0.1 mm to 0.2 mm.

The components will be inspected visually for the technical specifications before they are sent for the finishing process which involves buffing and surface coating. All defective parts would be sent back to the relevant machines for rework, while the good parts will be sent for buffing to level out the residues or excess materials to provide a smooth surface for surface coating.

Depending on the customer’s specification, our in-house surface coating process involves either zinc electroplating, powder coating or spray paint for corrosion resistance and/or aesthetics. The completed items are subsequently sent for final inspection to ensure the metal parts are in accordance with the customer’s specifications.

- **Warehousing, packing and delivery**

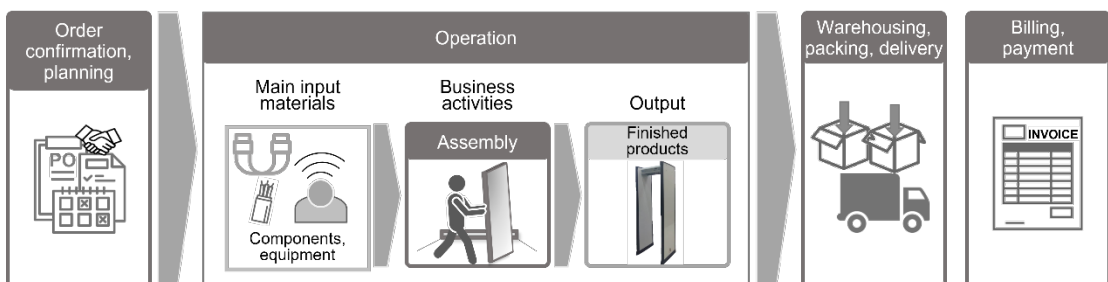
This process is similar to “Warehousing, packing and delivery” as described in Section 7.8.1.

- **Billing and payment**

This process is similar to “Billing and payment” as described in Section 7.8.1.

7.8.3 Assembly of finished products for walk-through metal detectors

For the Period Under Review, we only assembled walk-through metal detectors. The following diagram depicts our process flow for the assembly of finished products for walk-through metal detectors:



- **Order confirmation and planning**

This process is similar to “Order confirmation and planning” as described in Section 7.8.1. For the assembly of finished products, the time typically required between receiving a confirmed purchase order and the products being packed and ready for delivery is around 4 months.

7. BUSINESS OVERVIEW (CONT'D)

- **Operation**

Our main process is to assemble all the procured and in-house fabricated metal pieces into a finished walk-through metal detector. These parts include E&E and mechanical parts and components, as well as various devices and equipment such as sensors and processors. We only fabricate aluminium plates which are used in our assembly process in-house. All other parts, components, devices and equipment are provided by the customer or the customer's approved suppliers.

The assembly process involves electromechanical assembly, which includes the assembly of all submodules including the product frame, cover, structure as well as E&E panels to form the fully assembled product. The electrical assembly part is mainly focused on wiring to connect all the relevant parts and modules, including optimising the routing of all the wires, cables and harnesses to optimally fit into the final assembly. The next step is the mechanical assembly and installation of various subassembly modules, parts, components and outer casing to form the final product.

The completed products will be inspected and put through a burn-in test before the packing and delivery stage, where all defective parts at this stage would be sent back to the operating line for rework.

Burn-in test for assembly



- **Warehousing, packing and delivery**

This process is similar to "Warehousing, packing and delivery" as described in Section 7.8.1.

- **Billing and payment**

This process is similar to "Billing and payment" as described in Section 7.8.1.

7.9 TECHNOLOGIES USED

We use inter-related CNC, CAD and CAM technologies in our fabrication of semifinished metal products and metal parts business activities. We do not utilise any specialised technologies for our assembly business activity. For further details on CNC, CAD and CAM technologies, please refer to Section 7.4.4 of this Prospectus.

7.10 RESEARCH AND DEVELOPMENT

We did not carry out research and development during the Period Under Review as it is not relevant to our business.

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7. BUSINESS OVERVIEW (CONT'D)

7.11 MARKETING ACTIVITIES

Our marketing positioning and activities to retain existing customers, secure new customers and develop new business opportunities are focused on the following:

Market positioning

- Position our Group as having the machinery and facilities to carry out a range of fabrication, including large-size fabrication, and machining works.
- Position our Group as having the facilities and experience to meet the technical requirements for the manufacture of technological equipment such as:
 - . CNC machine and equipment;
 - . semiconductor manufacturing equipment;
 - . medical diagnostic equipment; and
 - . x-ray-based security equipment.
- Position our Group with in-house engineering capabilities and quality assurance to support our fabrication operations.

Marketing and sales activities

As our products and services are targeted at manufacturing companies, we mainly rely on word-of-mouth and trade referrals to secure new customers. As such, our marketing activities are mainly the following:

- Proactively contact and conduct sales meetings with prospective customers to understand their requirements and to secure sales; and
- Follow-up on direct approaches with prospective customers and trade and customer referrals from existing customers, suppliers and contacts within the industry.

We would normally have some of our engineers involved in our sales and marketing meetings for them to understand customers' technical requirements and to provide workable technical solutions.

As at the LPD, our Sales and Customer Service Department is responsible for our sales and marketing activities which is headed by our Non-Independent Executive Director, Wong Chun Wei. He is supported by a total of 14 dedicated personnel responsible for our sales and marketing activities, of whom 4 of them are engineers.

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7. BUSINESS OVERVIEW (CONT'D)

7.12 MAJOR CUSTOMERS

7.12.1 Top 5 major customers for FYE 2020

Our top 5 major customers for FYE 2020 are listed in the following table:

Customer	Country	Customer's industry	Main types of products	Revenue contribution		Length of business relationship ⁽¹⁾ (Years)
				RM'000	%	
Wencor ⁽²⁾	Malaysia	Supply chain management industry	Metal bodies and accessories for security screening equipment, and walk-through metal detectors	48,632	75.10	12
Makino Asia Pte Ltd	Singapore	Machining industry	Metal bodies and accessories for CNC machines	8,688	13.42	10
Customer A	Singapore	Medical industry	Metal parts for medical diagnostic equipment	3,169	4.89	Less than 1
Customer B1	Singapore	E&E industry	Metal parts for semiconductor manufacturing equipment	1,022	1.58	2
Customer C Group	Singapore and Malaysia	E&E industry	Metal parts for industrial 3D printers	1,020	1.58	3
Sub-total for top 5 customers				62,531	96.57	
Total Group revenue				64,759		

Notes:

(1) Length of relationship as at 31 December 2020.

(2) Revenue generated from Wencor was pursuant to the Indirect Business Arrangement and attributable to the following end-customers:

End-customers	Revenue contribution	
	RM'000	%
Rapiscan Group	27,267	42.11
Customer E Group	21,365	32.99
Sub-total	48,632	75.10

For further details on the Indirect Business Arrangement, please refer to Section 7.2.4 of the Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.12.2 Top 5 major customers for FYE 2021

Our top 5 major customers for FYE 2021 are listed in the following table:

Customer	Country	Customer's industry	Main types of products	Revenue contribution		Length of business relationship ⁽¹⁾ (Years)
				RM'000	%	
Wencor ⁽²⁾	Malaysia	Supply chain management industry	Metal bodies and accessories for security screening equipment, and walk-through metal detectors	47,123	52.44	13
Makino Asia Pte Ltd	Singapore	Machining industry	Metal bodies and accessories for CNC machines	16,540	18.41	11
Customer D Group	Singapore and the United States	E&E industry	Metal parts for semiconductor manufacturing equipment	11,493	12.79	3
Rapiscan Group	Malaysia and the United States	Security industry	Metal bodies and accessories for security screening equipment, and walk-through metal detectors	4,350	4.84	7
Customer B1	Singapore	E&E industry	Metal parts for semiconductor manufacturing equipment	3,759	4.18	3
Sub-total for top 5 customers				83,265	92.66	
Total Group revenue				89,854		

Notes:

(1) Length of relationship as at 31 December 2021.

(2) Revenue generated from Wencor was pursuant to the Indirect Business Arrangement and attributable to the following end-customers:

End-customers	Revenue contribution	
	End-customer's industry	RM'000
Rapiscan Group	Security industry	26,545
Customer E Group	Security industry	20,578
Sub-total		47,123

For further details on the Indirect Business Arrangement, please refer to Section 7.2.4 of the Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.12.3 Top 5 major customers for FYE 2022

Our top 5 major customers for FYE 2022 are listed in the following table:

Customer	Country	Customer's industry	Main types of products	Revenue contribution		Length of business relationship ⁽¹⁾ (Years)
				RM'000	%	
Rapiscan Group	Malaysia and the United States	Security industry	Metal bodies and accessories for security screening equipment, and walk-through metal detectors	39,021	33.20	8 ⁽²⁾
Customer E Group	Malaysia and Singapore	Security industry	Metal bodies and accessories for security screening equipment	35,385	30.10	1
Makino Asia Pte Ltd	Singapore	Machining industry	Metal bodies and accessories for CNC machines	16,684	14.19	12
Customer D Group	Singapore and the United States	E&E industry	Metal parts for semiconductor manufacturing equipment	11,977	10.19	4
Customer B Group	Singapore and Malaysia	E&E industry	Metal parts for semiconductor manufacturing equipment	6,048	5.15	4
Sub-total for top 5 customers				109,115	92.83	
Total Group revenue				117,540		

Notes:

(1) Length of relationship as at 31 December 2022.

(2) Our length of relationship with Rapiscan Group comprised 7 years from 2001 to 2008 when we served Rapiscan Group as a direct customer before the Indirect Business Arrangement, and 1 year for FYE 2022 after the Indirect Business Arrangement was discontinued.

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7. BUSINESS OVERVIEW (CONT'D)

7.12.4 Top 5 major customers for FPE 2023

Our top 5 major customers for FPE 2023 are listed in the following table:

Customer	Country	Customer's industry	Main types of products	Revenue contribution		Length of business relationship ⁽¹⁾ (Years)
				RM'000	%	
Rapiscan Group	Malaysia	Security industry	Metal bodies and accessories for security screening equipment, and walk-through metal detectors	25,096	34.79	9 ⁽²⁾
Customer E Group	Malaysia	Security industry	Metal bodies and accessories for security screening equipment	22,618	31.36	2
Makino Asia Pte Ltd	Singapore	Machining industry	Metal bodies and accessories for CNC machines	12,440	17.25	13
Customer D Group	Singapore and the United States	E&E industry	Metal parts for semiconductor manufacturing equipment	4,235	5.87	5
Customer B Group	Singapore and Malaysia	E&E industry	Metal parts for semiconductor manufacturing equipment	3,295	4.57	5
Sub-total for top 5 customers				67,684	93.84	
Total Group revenue				72,129		

Notes:

(1) Length of relationship as at 30 September 2023.

(2) Our length of relationship with Rapiscan Group comprised 7 years from 2001 to 2008 when we served Rapiscan Group as a direct customer before the Indirect Business Arrangement, and 2 years for FYE 2022 and FPE 2023 after the Indirect Business Arrangement was discontinued.

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7. BUSINESS OVERVIEW (CONT'D)

7.13 DEPENDENCE ON CUSTOMERS

We are dependent on Rapiscan Group, Customer E Group, Makino Asia Pte Ltd and Customer D Group by virtue of their revenue contribution of more than 10.00% of our total annual revenue during the Period Under Review and our continuing business dealings with them. This is further illustrated below:

(i) Rapiscan Group

Rapiscan Group was our largest indirect and direct customer group having accounted for 42.11% (indirectly through Wencor according to the Indirect Business Arrangement) and 34.38% (comprising 29.54% indirectly through Wencor and 4.84% directly to our Group) of our total revenue in FYE 2020 and FYE 2021, respectively. For FYE 2022 and FPE 2023, Rapiscan Group accounted for 33.20% and 34.79% of our total revenue respectively as the largest direct customer of our Group.

For the FPE 2023, we have been serving Rapiscan Group for approximately 9 years (including 7 years from 2001 to 2008 when we served Rapiscan Group as a direct customer before the Indirect Business Arrangement). Our long-term business relationships with Rapiscan Group provide some assurance of business continuity with them.

(ii) Customer E Group

Customer E Group was our second largest indirect and direct customer group having accounted for 32.99% (indirectly through Wencor according to the Indirect Business Arrangement) and 23.23% (comprising 22.90% indirectly through Wencor and 0.33% directly to our Group) of our total revenue in FYE 2020 and FYE 2021, respectively. For FYE 2022 and FPE 2023, Customer E Group accounted for 30.10% and 31.36% of our total revenue respectively as the second largest direct customer of our Group.

For the FPE 2023, we have been serving Customer E Group for approximately 2 years.

(iii) Makino Asia Pte Ltd

Makino Asia Pte Ltd accounted for 13.42%, 18.41%, 14.19% and 17.25% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The company was our second-largest direct customer in FYE 2020 and FYE 2021, and the third largest direct customer in FYE 2022 and FPE 2023.

For the FPE 2023, we have been dealing with Makino Asia Pte Ltd for approximately 13 years, which provides some assurance of business continuity with them.

(iv) Customer D Group

Customer D Group contributed 12.79% and 10.19% of our total revenue in FYE 2021 and FYE 2022 respectively. It was our third largest direct customer in FYE 2021 and the fourth largest direct customer in FYE 2022. For the FPE 2023, it was our fourth largest direct customer contributing 5.87% of our total revenue.

For the FPE 2023, we have been dealing with Customer D Group for approximately 5 years, which provides some assurance of business continuity with them.

Please refer to Section 9.1.1 of this Prospectus for the risk factors pertaining to the dependency on certain of our major customers. Save for the above, we are not dependent on any other major customers. In addition to the top 5 major customers for FYE 2022 and FPE 2023 listed in Sections 7.12.3 and 7.12.4 respectively of this Prospectus, we had 15 other active customers during FYE 2022 and 12 other active customers during FPE 2023.

7. BUSINESS OVERVIEW (CONT'D)**7.14 TYPES AND SOURCES OF INPUT MATERIALS, PRODUCTS AND SERVICES**

The following are the main types of input materials and services that we purchased for our business activities during the Period Under Review:

Purchases of input materials and services for FYE 2020	Value of purchases (RM'000)	Proportion of total purchases (%)	Sources of supply	
			Malaysia (RM'000)	Foreign countries (RM'000)
Input materials	27,969	95.71	15,383	12,586
Metal materials	15,111	51.71	7,697	7,414
<i>Steel</i> ⁽¹⁾	6,727	23.02	5,620	1,107
<i>Lead</i>	5,651	19.34	-	5,651
<i>Aluminium</i> ⁽²⁾	2,637	9.02	1,981	656
<i>Other metals</i> ⁽³⁾	96	0.33	96	-
Parts, devices and equipment	9,986	34.17	5,274	4,712
Surface treatment and coating materials	896	3.07	854	42
Others ⁽⁴⁾	1,976	6.76	1,558	418
Subcontracted services	1,252	4.29	1,237	15
Machining services	1,098	3.76	1,083	15
Others ⁽⁵⁾	154	0.53	154	-
Total	29,221	100.00	16,620	12,601

Purchases of input materials and services for FYE 2021	Value of purchases (RM'000)	Proportion of total purchases (%)	Sources of supply	
			Malaysia (RM'000)	Foreign countries (RM'000)
Input materials	40,804	90.48	25,557	15,246
Metal materials	22,646	50.22	14,779	7,867
<i>Steel</i> ⁽¹⁾	13,393	29.70	11,707	1,686
<i>Lead</i>	5,740	12.73	-	5,740
<i>Aluminium</i> ⁽²⁾	3,348	7.42	2,907	441
<i>Other metals</i> ⁽³⁾	165	0.37	165	-
Parts, devices and equipment	13,346	29.59	6,767	6,578
Surface treatment and coating materials	1,277	2.83	1,159	118
Others ⁽⁴⁾	3,535	7.84	2,852	683
Subcontracted services	4,294	9.52	2,927	1,367
Machining services	3,429	7.60	2,063	1,366
Others ⁽⁵⁾	865	1.92	864	1
Total	45,098	100.00	28,484	16,613

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7. BUSINESS OVERVIEW (CONT'D)

Purchases of input materials and services for FYE 2022	Value of purchases (RM'000)	Proportion of total purchases (%)	Sources of supply	
			Malaysia (RM'000)	Foreign countries (RM'000)
Input materials	49,857	94.56	31,029	18,828
Metal materials	28,221	53.53	18,373	9,848
<i>Steel</i> ⁽¹⁾	14,404	27.32	13,358	1,046
<i>Lead</i>	8,342	15.82	-	8,342
<i>Aluminium</i> ⁽²⁾	5,266	9.99	4,806	460
<i>Other metals</i> ⁽³⁾	209	0.40	209	-
Parts, devices and equipment	15,518	29.43	7,740	7,778
Surface treatment and coating materials	1,967	3.73	1,622	345
Others ⁽⁴⁾	4,151	7.87	3,294	857
Subcontracted services	2,873	5.46	2,504	369
Machining services	1,739	3.30	1,370	369
Others ⁽⁵⁾	1,134	2.16	1,134	-
Total	52,730	100.00	33,533	19,197

Purchases of input materials and services for FPE 2023	Value of purchases (RM'000)	Proportion of total purchases (%)	Sources of supply	
			Malaysia (RM'000)	Foreign countries (RM'000)
Input materials	29,727	95.01	17,114	12,613
Metal materials	16,508	52.76	9,852	6,656
<i>Steel</i> ⁽¹⁾	7,477	23.90	7,073	404
<i>Lead</i>	5,649	18.05	-	5,649
<i>Aluminium</i> ⁽²⁾	3,303	10.56	2,700	603
<i>Other metals</i> ⁽³⁾	79	0.25	79	-
Parts, devices and equipment	9,690	30.97	4,328	5,362
Surface treatment and coating materials	994	3.18	900	94
Others ⁽⁴⁾	2,535	8.10	2,034	501
Subcontracted services	1,560	4.99	1,320	240
Machining services	1,078	3.45	990	88
Others ⁽⁵⁾	482	1.54	330	152
Total	31,287	100.00	18,434	12,853

Notes:

- (1) Steel materials include carbon and stainless steel sheets, steel blocks and tubes.
- (2) Aluminium materials include aluminium profiles, sheets, blocks and tubes.
- (3) Other metal materials include brass and copper sheets and tubes.
- (4) Other input materials include gaskets, fasteners and adhesives.
- (5) Other subcontracted services include powder coating, chemical film treatment, nickel electroplating, chrome electroplating, aluminium anodising, sandblasting (prior to our sandblasting facilities becoming operational in December 2022) and other services.

7. BUSINESS OVERVIEW (CONT'D)

Purchases of input materials for our business activities accounted for 95.71%, 90.48%, 94.56% and 95.01% of our total purchases of input materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, imported input materials and services accounted for 43.12%, 36.84%, 36.41% and 41.08% of total purchases by value while the remaining 56.88%, 63.16%, 63.59% and 58.92% were sourced from suppliers in Malaysia.

Purchases of metal input materials collectively constituted our largest purchases for each of the years under the Period Under Review, amounting to RM15.11 million (51.71%), RM22.65 million (50.22%), RM28.22 million (53.53%) and RM16.51 million (52.76%) of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The metal input materials that we purchased were mainly used in the fabrication of semifinished metal products and the fabrication of metal parts. These materials mainly comprised steel materials, lead sheets (which we installed in the interior of x-ray chambers of the security screening equipment), aluminium materials and other metal materials.

Our second largest group of input materials for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were parts, devices and equipment, which amounted to RM9.99 million (34.17%), RM13.35 million (29.59%), RM15.52 million (29.43%) and RM9.69 million (30.97%) of our total purchases of materials and services respectively.

The types of parts, devices and equipment that we purchased included mechanical parts and equipment such as rollers, fasteners, castors, conveyor belts, motors and pumps, fittings such as handles, hinges, windows and wooden materials, and electrical and electronic parts and devices such as sensors, cables and wire harnesses. We use these parts, devices and equipment in some of the semifinished metal products that we fabricate, as well as assembly of walk-through metal detectors.

The types of surface treatment and coating materials that we purchased include primer, cleaning chemicals, powder coating resins, paints and chemicals for zinc electroplating, which amounted to RM0.90 million (3.07%), RM1.28 million (2.83%), RM1.97 million (3.73%) and RM0.99 million (3.18%) of our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Purchases of other input materials amounted to RM1.98 million (6.76%), RM3.53 million (7.84%), RM4.15 million (7.87%) and RM2.54 million (8.10%) of our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. These included hole plugs, handles, cable raceways, spacers, gaskets, fasteners and glue.

Purchases of subcontracted services for our business activities accounted for RM1.25 million (4.29%), RM4.29 million (9.52%), RM2.87 million (5.46%) and RM1.56 million (4.99%) of our total purchases of input materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We subcontract machining services to the customer's approved suppliers for certain metal parts based on the customer's requests and requirements. We also engage other subcontracted services, which were mainly for activities that we do not undertake in-house such as sandblasting (prior to our sandblasting facilities becoming operational in December 2022), chemical film treatment, nickel electroplating, chrome electroplating and aluminium anodising.

Steel, lead and aluminium materials constitute the main input materials which are used in our fabrication operations. As these materials are commodities, their market prices fluctuate as a result of, among others, global economic conditions, geopolitical events, demand and supply conditions and production capacity. The said price fluctuation may, to a certain extent, affect our margins and financial performance. Please refer to Section 9 of this Prospectus for further details on the risk relating to our exposure to fluctuations in the market prices of metals.

7. BUSINESS OVERVIEW (CONT'D)**7.15 MAJOR SUPPLIERS****7.15.1 Top 5 major suppliers for FYE 2020**

Our top 5 major suppliers for FYE 2020 are listed in the following table:

Supplier	Country	Main types of products purchased	Purchases		Length of business relationship ⁽¹⁾ (Years)
			RM'000	% of total Group's purchases	
TSK Group ⁽²⁾	Malaysia	Metal sheets	3,208	10.98	16
Denford Pte Ltd	Singapore	Lead sheets, metal sheets and parts	2,900	9.92	12
Röhr + Stolberg GmbH	Germany	Lead sheets	2,559	8.76	7
Interroll (Asia) Pte Ltd	Singapore	Parts and components	2,043	6.99	16
Ban Soon Cheong Pte Ltd	Singapore	Lead sheets	1,541	5.27	6
Sub-total for top 5 suppliers			12,251	41.92	
Total Group's purchases			29,221		

Notes:

(1) Length of relationship as at 31 December 2020.

(2) Consists of TSK Industries Sdn Bhd and TSK Hardware Sdn Bhd.

7.15.2 Top 5 major suppliers for FYE 2021

Our top 5 major suppliers for FYE 2021 are listed in the following table:

Supplier	Country	Main types of products purchased	Purchases		Length of business relationship ⁽¹⁾ (Years)
			RM'000	% of total Group's purchases	
TSK Group ⁽²⁾	Malaysia	Metal sheets	4,391	9.74	17
Ban Soon Cheong Pte Ltd	Singapore	Lead sheets	2,877	6.38	7
Tai Hoe Hardware Sdn Bhd	Malaysia	Metal sheets, tubings	2,444	5.42	20
Röhr + Stolberg GmbH	Germany	Lead sheets	2,397	5.32	8
Interroll (Asia) Pte Ltd	Singapore	Parts and components	2,329	5.16	17
Sub-total for top 5 suppliers			14,438	32.02	
Total Group purchases			45,098		

7. BUSINESS OVERVIEW (CONT'D)Notes:

- (1) Length of relationship as at 31 December 2021.
- (2) Consists of TSK Industries Sdn Bhd and TSK Hardware Sdn Bhd.

7.15.3 Top 5 major suppliers for FYE 2022

Our top 5 major suppliers for FYE 2022 are listed in the following table:

Supplier	Country	Main types of products purchased	Purchases		Length of business relationship ⁽¹⁾ (Years)
			RM'000	% of total Group's purchases	
TSK Group ⁽²⁾	Malaysia	Metal sheets	7,044	13.36	18
Ban Soon Cheong Pte Ltd	Singapore	Lead sheets	4,469	8.48	8
Röhr + Stolberg GmbH	Germany	Lead sheets	3,352	6.36	9
Interroll (Asia) Pte Ltd	Singapore	Parts and components	3,167	6.01	18
Alunox Industrial Sdn Bhd	Malaysia	Metal sheets	2,742	5.20	4
Sub-total for top 5 suppliers			20,774	39.41	
Total Group purchases			52,730		

Notes:

- (1) Length of relationship as at 31 December 2022.
- (2) Consists of TSK Industries Sdn Bhd and TSK Hardware Sdn Bhd.

7.15.4 Top 5 major suppliers for FPE 2023

Our top 5 major suppliers for FPE 2023 are listed in the following table:

Supplier	Country	Main types of products purchased	Purchases		Length of business relationship ⁽¹⁾ (Years)
			RM'000	% of total Group's purchases	
TSK Group ⁽²⁾	Malaysia	Metal sheets	4,230	13.52	19
Röhr + Stolberg GmbH	Germany	Lead sheets	2,949	9.43	10
Denford Pte Ltd	Singapore	Lead sheets, metal sheets and parts	2,400	7.67	15
Interroll (Asia) Pte Ltd	Singapore	Parts and components	1,786	5.71	19
Alunox Industrial Sdn Bhd	Malaysia	Metal sheets	1,781	5.69	5

7. BUSINESS OVERVIEW (CONT'D)

Supplier	Country	Main types of products purchased	Purchases		Length of business relationship ⁽¹⁾ (Years)
			RM'000	% of total Group's purchases	
Sub-total for top 5 suppliers			13,146	42.02	
Total Group purchases			31,287		

Notes:

- (1) Length of relationship as at 30 September 2023.
- (2) Consists of TSK Industries Sdn Bhd and TSK Hardware Sdn Bhd.

7.16 DEPENDENCE ON SUPPLIERS

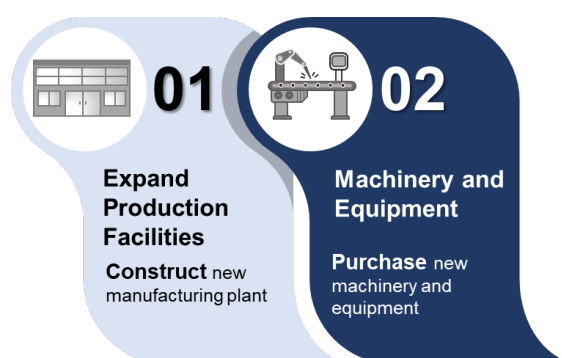
For the Period Under Review, no supplier accounted for more than 10.00% of our total purchases except for the TSK Group which accounted for 10.98%, 13.36% and 13.52% of total purchases for the FYE 2020, FYE 2022 and FPE 2023 respectively. Nonetheless, we are not dependent on the TSK Group as the type of metal materials that we purchase from TSK Group can be sourced from various other suppliers. During the Period Under Review, in addition to Alunox Industrial Sdn Bhd and Tai Hoe Hardware Sdn Bhd, we also purchased similar metal sheet materials from other suppliers outside of our top 5 major suppliers. Furthermore, metal sheet materials are commonly available from manufacturers and hardware suppliers in Malaysia. As such, we are not dependent on any individual supplier for our input materials and services.

7.17 BUSINESS STRATEGIES AND PLANS**7.17.1 Overview**

Our business strategies and plans are focused on leveraging our core competencies and strengths in the fabrication of semifinished metal products, fabrication of metal parts and assembly of finished products, which we will continue moving forward.

In line with the growth of our revenue which recorded a CAGR of 34.72% between FYE 2020 and FYE 2022, the focus of our expansion strategy is to establish the New Manufacturing Plant and purchase new machinery and equipment to address opportunities in Malaysia and Singapore targeting existing and new customers.

Our business strategies and plans are summarised in the diagram provided. We intend to implement our business strategies and plans between 2024 and 2025 as described in the following sections.

**7.17.2 Expansion of production facilities**

As part of our expansion plans, we intend to construct the New Manufacturing Plant at Lot 815, a piece of freehold land measuring approximately 426,074 sq. ft. which was acquired by our subsidiary, WESB in 2018.

7. BUSINESS OVERVIEW (CONT'D)

We plan to use the new plant to carry out the fabrication of semifinished metal products, fabrication of metal parts and assembly operations. We intend to continue with our current business operations at our existing Lot 11 after Lot 815 becomes operational, while our existing operations at Lot 58 (which is a rented premise) will be relocated to Lot 815. After the relocation, we will terminate our tenancy agreement at Lot 58.

The New Manufacturing Plant will comprise 2 blocks of single-storey factory (with double storey office) and 2 blocks of workers' hostel. The 2 blocks of single-storey factory and 2 blocks of workers' hostel are expected to have a total built-up area of 299,701 sq. ft. as follows:

Type of space	Approximate built-up area (sq. ft.)
Production area	130,673
Storage area	55,994
Office	28,643
Hostel and others*	84,391
Total	299,701

Note:

* Built-up area for the hostel is approximately 31,674 sq. ft. The remaining built-up area of approximately 52,717 sq. ft. are for lobby, canteen and common areas.

A rendering of the New Manufacturing Plant



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7. BUSINESS OVERVIEW (CONT'D)

In November 2022, we obtained building plan approval from the authorities for the New Manufacturing Plant. In August 2023, we applied to the authorities for amendments of the approved building plan to increase the built-up area of production and storage space within Lot 815. The indicative timeline for obtaining approval for the revised building plan, constructing the new plant, ordering the new machinery and equipment, and setting up the new fabrication operations is as follows:

Indicative timeline	Milestones
First half of 2024	<ul style="list-style-type: none"> Obtain approval for the revised building plan Engage a main contractor to construct the New Manufacturing Plant Commence construction works for the New Manufacturing Plant (estimated to take 10 months to complete) Place order for the new machinery and equipment
Second half of 2024	<ul style="list-style-type: none"> Complete construction works of the New Manufacturing Plant
First half of 2025	<ul style="list-style-type: none"> Obtaining relevant approvals, licenses and/or certificates from the authorities, which include, among others, the following: <ol style="list-style-type: none"> Certificate of Completion and Compliance for the New Manufacturing Plant; Manufacturing License from the MITI; Manufacturing Warehouse License from the Royal Malaysian Customs Department; Business Premise and Advertisement License from MBBJ; and Certificate of fitness for the new machinery and equipment from the Department of Occupational Safety and Health Commence and complete setting up, installation, testing and commissioning of the new machinery and equipment
Second half of 2025	<ul style="list-style-type: none"> Commence fabrication operations at the New Manufacturing Plant. Conduct ISO 9001-series quality and ISO 14001-series environmental management system audits of the New Manufacturing Plant.
First half of 2026	<ul style="list-style-type: none"> Receive ISO 9001-series and ISO 14001-series certifications for the New Manufacturing Plant.

As at the LPD, the total estimated cost of constructing the New Manufacturing Plant is RM67.95 million, with the breakdown as follows:

Description	Estimated cost (RM'000)
Preliminaries	2,890
Building works	29,050
Piling works	1,817
Mechanical and electrical works	18,159
External and infrastructural works	13,202
Contingencies and other costs	2,832
Total⁽¹⁾	67,950

Note:

(1) Based on estimates provided by a third-party quantity surveyor engaged by us.

We intend to use a combination of our IPO proceeds, internally generated funds and / or bank borrowings to finance the construction of the New Manufacturing Plant as follows:

7. BUSINESS OVERVIEW (CONT'D)

	Total estimated cost (RM mil)	Source of funds	
		Internally generated funds / Bank borrowings (RM mil)	IPO proceeds (RM mil)
Construction of the New Manufacturing Plant	67.95	27.95	40.00

As at the LPD, we have not secured any bank borrowings or received any letter of offer from financial institutions for loans to finance the construction of the New Manufacturing Plant.

7.17.3 Purchase machinery and equipment for the New Manufacturing Plant

We intend to carry out similar activities in our New Manufacturing Plant at Lot 815 which is in the fabrication of semifinished metal products and metal parts, and assembly of finished products. Part of our strategy for the New Manufacturing Plant also includes expanding into the fabrication of precision machined parts by exploring business opportunities with our existing and potential customers in the medical diagnostic equipment and semiconductor equipment manufacturing sectors.

In view of this strategy, we intend to purchase machinery and equipment to enable us to fulfil some of the requirements and specifications for the fabrication of semifinished metal products and metal parts, as well as enable us to expand into precision machined parts. The machinery and equipment we intend to purchase for the New Manufacturing Plant comprises the following:

- 4 units of CNC laser cutting and/or turret punching machines (1 unit of CNC combined laser cutting and turret punching machine, 1 unit of CNC tube laser cutting machine and 2 units of CNC laser cutting machines);
- 9 units of CNC milling machines;
- 3 units of CNC turning machines;
- 3 units of CNC bending machines;
- 6 units of welding machines (4 units of CNC robotic-arm welding machines and 2 units of hand-held laser welding sets) together with 6 welding tables to provide a more stable platform to improve welding accuracy and 2 rotary tables to enable welding of more complex workpieces;
- 2 surface coating lines (1 automated zinc electroplating line and 1 automated powder coating line); and
- 2 units of spot-welding machines; and
- 1 unit of coordinate measuring machine.

The new machinery and equipment that we intend to purchase have better fabrication parameters and / or added functionality compared to our existing CNC machines, which are summarised as follows:

- Laser cutting and/or turret punching machines such as the ability to cut more types of metals, namely copper and brass. In addition, one of the new laser cutting machine will incorporate automatic material loading functionality which will reduce processing time and can cut metal sheets with thicknesses of up to 50 mm (depending on the type of metal).
- Bending machines will have automatic angle detection functionality which can improve bending accuracy and consistency.
- Milling machines: the new milling machines can achieve minimum tolerance of +/-10 microns and will also have automatic tool length detection and measurement functionality to improve precision and accuracy.
- Turning machines: the new turning machines can achieve minimum tolerance of +/-50 microns which we do not have these types of machines as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)

The improved fabrication parameters will enable us to fulfil customers' requirements in terms of precision, accuracy, metals used and metal thickness. This would enable us to increase the range of products that we can fabricate for our customers. In addition, we also plan to purchase 1 coordinate measuring machine to measure the dimensions of precision parts for use by our quality assurance department.

The New Manufacturing Plant together with the new machinery and equipment that we intend to purchase will enable us to further leverage on our core competencies and strengths to continue to address opportunities in Malaysia and Singapore. We believe that our aforementioned strategies to expand into the fabrication of precision machined parts will facilitate an optimal utilisation of our increased manufacturing capacities when our New Manufacturing Plant is operational.

We intend to commence and complete the installation of the new machinery and equipment by the first half of 2025. The new machinery and equipment will be installed at the New Manufacturing Plant. This is in addition to the existing machinery and equipment at Lot 58 which will be relocated to Lot 815 including 1 unit of CNC laser cutting machine, 1 unit of CNC combined laser cutting and turret punching machine, 4 units of CNC bending machines and 2 hand-held laser welding sets.

As at the LPD the total estimated cost of purchasing the machinery and equipment is RM42.39 million, with the breakdown as follows:

Types of machinery and equipment	Intended no. of units to be purchased	Total estimated cost (RM'000)
Machinery and equipment		
CNC laser cutting and/or turret-punching machines	(1)4	14,973
CNC milling machines	9	10,917
CNC turning machines	3	735
CNC bending machines	3	8,689
Surface coating lines	(2)2	4,013
Welding machines	(3)6	980
Rotary tables	2	196
Welding tables	6	824
Spot welding machines	2	95
Other machinery and equipment		
Coordinate measuring machine	1	970
Total		42,392

Notes:

- (1) Purchase of 2 units of CNC laser cutting and / or turret punching machines will be used to retire the 2 similar existing machines in Lot 58.
- (2) Comprising 1 automated zinc electroplating line and 1 automated powder coating line.
- (3) Comprising 4 units of CNC robotic-arm laser welding machines and 2 units of hand-held laser welding sets.

We intend to use a combination of IPO proceeds, internally generated funds and / or bank borrowings to finance the purchases of the machinery and equipment, as follows:

	Total estimated cost (RM mil)	Source of funds	
		Internally generated funds / Bank borrowings (RM mil)	IPO proceeds (RM mil)
Purchase of new machinery and equipment	42.39	17.36	25.03

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we have not placed any orders for the machinery and equipment listed in the table above. Based on the foregoing, we have not applied for any bank borrowings or procured any letter of offer from financial institutions for loans to finance the purchase of the new machinery and equipment.

7.18 SEASONALITY

During the Period Under Review and up to the LPD, we did not experience any material seasonality in our business.

7.19 MATERIAL INTERRUPTIONS TO OUR BUSINESS

Save as disclosed below, we did not experience any other material interruptions to our business and operations during the Period Under Review.

7.19.1 COVID-19 conditions in Malaysia

The Government of Malaysia implemented several measures to contain the spread of the COVID-19 pandemic in the country commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities.

The first phase of the MCO was implemented from 18 March 2020 to 3 May 2020 which resulted in the closure of all businesses except for those classified as “essential services” during that period and received written approval to operate from the MITI (formerly known as the Ministry of International Trade and Industry Malaysia).

During the first phase of the MCO, our business operations in Malaysia at Lot 11 and Lot 58 were temporarily suspended for 30 days from 18 March 2020 to 16 April 2020. We resumed operations at both Lot 11 and Lot 58 on 17 April 2020 with up to 50% of our maximum workforce capacity and 7 working days per week (except for public holidays) and following the specified guidelines and SOP according to the written approval to operate that we received from MITI dated 16 April 2020.

From 18 March 2020 up to June 2021, the MCO went through various phases in Malaysia including Conditional MCO (“**CMCO**”), Recovery MCO (“**RMCO**”) and Enhanced MCO (“**EMCO**”) where restrictions were relaxed or tightened for specific states, districts and/or locations, based on the number of daily and active COVID-19 cases in the respective areas. On 15 June 2021, the Government of Malaysia announced the National Recovery Plan (“**NRP**”), a phased exit strategy from the COVID-19 pandemic consisting of four phases where restrictions were gradually eased in each phase. Subsequently, on 1 April 2022, the Government of Malaysia announced that Malaysia was in the “Transition to Endemic” phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines.

The maximum workforce capacity according to the various MCO phases at both of our Lot 11 and Lot 58 from 17 April 2020 up to the LPD is summarised in the following table:

Period	Working days per week ⁽¹⁾	Maximum workforce capacity
18 March 2020 to 16 April 2020	-	-
17 April 2020 to 23 February 2021	7	Up to 50%
24 February 2021 to 19 August 2021	7	Up to 60%
20 August 2021 up to the LPD	5 or 6 ⁽²⁾	Normal workforce capacity

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Except public holidays.
- (2) 5 working days per week for Malaysian employees, 6 working days per week for non-Malaysian employees.

During the various phases of the MCO including CMCO, RMCO and EMCO, the NRP and the Transition to Endemic Phase, we continued to operate according to the specified guidelines and SOP including specified workforce capacity during the respective periods.

7.19.2 COVID-19 conditions in Singapore

To control the spread of COVID-19 cases, the Government of Singapore imposed strict circuit breaker lockdown measures from 7 April 2020 to 1 June 2020, which included the closure of non-essential workplaces, places of worship and entertainment venues, reduced crowd density in retail outlets, and restrictions on gatherings. These measures were subsequently gradually lifted as conditions in Singapore permitted.

During the circuit breaker lockdown period, WEPL received written permission from the Ministry of Trade and Industry Singapore to be exempted from suspension of business activities from 7 April 2020 to 4 May 2020 subject to compliance of specified guidelines and SOP. WEPL subsequently received written permission from the Ministry of Manpower Singapore (on behalf of the Ministry of Trade and Industry Singapore) on 3 May 2020 to continue operations for the duration of the circuit breaker period (up to 1 June 2020), subject to compliance of specified guidelines and SOP. Consequently, WEPL did not suspend its operations due to COVID-19 pandemic.

7.19.3 Impact on our business operations and financial performance

FYE 2020

Following the implementation of the MCO by the Government of Malaysia, our business operations at Lot 11 and Lot 58 were temporarily shut down for 30 days from 18 March 2020 to 16 April 2020. We resumed operations at both Lot 11 and Lot 58 on 17 April 2020 with up to 50% workforce capacity and following the specified guidelines and SOP, according to the written approval to operate that we received from MITI dated 16 April 2020.

During the various MCO phases in 2020, we carried out our business operations at Lot 11 and Lot 58 following the guidelines and SOP in force at that time. Our suppliers in Malaysia and overseas countries continued to supply us with input materials and services, and we did not face any material disruptions in our supply chain during FYE 2020. We did not face any delays in receiving imported input materials that were related to COVID-19 pandemic.

WEPL received written permission from the Ministry of Trade and Industry Singapore on 7 April 2020, and subsequently from the Ministry of Manpower Singapore (on behalf of the Ministry of Trade and Industry Singapore) on 3 May 2020 to continue to operate during the circuit breaker lockdown period. Consequently, WEPL did not temporarily suspend its operations due to COVID-19 pandemic.

During FYE 2020, there were no material cancellations or suspensions in purchase orders from our customers that were attributed to COVID-19 pandemic.

FYE 2021

During FYE 2021, we did not experience any interruptions to our business operations in Malaysia and Singapore. Lot 11 and Lot 58 were permitted to operate with up to 60% workforce capacity from 24 February 2021. We returned to operating at 100% workforce capacity at Lot 11 and Lot 58 on 20 August 2021. During FYE 2021, we did not experience any adverse effects relating to COVID-19 pandemic on our business operations and financial performance.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

During FYE 2022, there were no COVID-19 pandemic interruptions to our business operations in Malaysia and Singapore. During FYE 2022, we did not experience any adverse effects relating to COVID-19 pandemic on our business operations and financial performance.

FPE 2023

During FPE 2023, there were no COVID-19 pandemic interruptions to our business operations in Malaysia and Singapore. During FPE 2023, we did not experience any adverse effects relating to COVID-19 pandemic on our business operations and financial performance.

For the FYE 2021, our revenue grew by RM25.10 million or 38.75% from RM64.76 million in FYE 2020 to RM89.85 million in FYE 2021, and continued to improve by RM27.69 million or 30.81% to RM117.54 million in FYE 2022. For the FPE 2023, our revenue was RM72.13 million. As at 30 September 2023, our cash and bank balances amounted to RM13.08 million. Our working capital was sufficient for our operating expenditure and will continue to sustain our business, after taking into consideration our deposits, cash and bank balances that were currently available to our Group.

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7. BUSINESS OVERVIEW (CONT'D)

7.20 INFORMATION ON MATERIAL LANDS AND BUILDINGS

7.20.1 Properties owned by our Group

The details of the material properties owned by our Group as at the LPD are as set out below:

No.	Registered owner / Title details / Postal address	Description of property / Tenure / Existing use	Category of land use/ Restriction in interest	Approximate land area / built-up area	Date of issuance of CF / CCC / Major encumbrances	Audited NBV as at 30.9.2023 (RM'000)
1.	<p><u>Registered owner</u> WESB</p> <p><u>Title details</u> HSD 605719, PTD 204073 Mukim of Tebrau, District of Johor Bahru, State of Johor</p> <p><u>Postal address</u> PTD 204073, Jalan Selatan 10, Kawasan Perindustrian Selatan, Johor Bahru</p>	<p><u>Description of property</u> Industrial zoned land (also referred to as Lot 815 in this Prospectus)</p> <p><u>Tenure</u> Freehold</p> <p><u>Existing use</u> Vacant</p>	<p><u>Category of land use</u> Industrial</p> <p><u>Restriction in interest</u> (i) The property is not allowed to be transferred save for the purpose of infrastructure project for the public in accordance with the local development plan</p> <p>(ii) development on property rights registered as workers' houses cannot be divided for the purpose of issuing strata property rights on each unit/ parcel/ plot</p>	<p><u>Land area</u> 426,074 sq. ft.</p> <p><u>Built-up area</u> N/A</p>	<p><u>Date of issuance of CF / CCC / Major encumbrances</u> N/A</p> <p><u>Major encumbrances</u> The land is charged to OCBC Bank (Malaysia) Berhad under the presentation no. 89508/2018 registered on 29 November 2018.</p>	19,114

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Title details / Postal address	Description of property / Tenure / Existing use	Category of land use/ Restriction in interest	Approximate land area / built-up area	Date of issuance of CF / CCC / Major encumbrances	Audited NBV as at 30.9.2023 (RM'000)
2.	<p>Registered owner WESB</p> <p>Title details Geran 66782, Lot 36706, Mukim Tebrau, District of Johor Bahru, State of Johor</p> <p>Postal address No. 3, Jalan Nibong 3, Taman Daya, 81100 Johor, Johor Bahru</p>	<p>Description of property Single storey terrace house</p> <p>Tenure Freehold</p> <p>Existing use Vacant⁽¹⁾</p>	<p>Category of land use Residential</p> <p>Restriction in interest Nil</p>	<p>Land area 1,540 sq. ft</p> <p>Built-up area 1,103 sq. ft</p>	<p>Date of issuance of CF / CCC 4 February 1987</p> <p>Major encumbrances Nil</p>	120
3.	<p>Registered owner WESB</p> <p>Title details (i) HSD 529923, PTD 172995, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor; (ii) HSD 529924, PTD 172996, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor; (iii) HSD 529928, PTD 173004, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor; (iv) HSD 529929, PTD 173005, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;</p>	<p>Description of property 25 pieces of adjoining freehold vacant industry land comprising 24 vacant semi-detached industry lots and 1 vacant detached industry lot (also referred to as Lot 879 & 881 in this Prospectus)</p> <p>Tenure Freehold</p>	<p>Category of land use Industrial</p> <p>Restriction in interest (i) The land shall not be transferred or changed ownership in any way, except for the construction of a factory building that meets the specified conditions in the land title and as outlined in the approved plan by the relevant local authority. (ii) The land is not allowed to be transferred or leased to Non-Bumiputera without consent from the state authority.</p>	<p>Land area 405,368 sq. ft.</p> <p>Built-up area N/A</p>	<p>Date of issuance of CF / CCC N/A</p> <p>Major encumbrances Nil</p>	(2)17,631

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Title details / Postal address	Description of property / Tenure / Existing use	Category of land use/ Restriction in interest	Approximate land area / built-up area	Date of issuance of CF / CCC / Major encumbrances	Audited NBV as at 30.9.2023 (RM'000)
	<p>(v) HSD 529930, PTD 173006, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;</p> <p>(vi) HSD 529931, PTD 173007, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;</p> <p>(vii) HSD 529936, PTD 173012, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;</p> <p>(viii) HSD 529937, PTD 173013, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;</p> <p>(ix) HSD 529944, PTD 173023, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor; and</p> <p>(x) HSD 529946, PTD 173025, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor.</p> <p>Postal Address Nii</p>	<p>Existing use Vacant</p>	<p>Category of land use Industrial</p> <p>Restriction in interest The land is not allowed to be transferred save for the purpose of infrastructure project for the public in</p>			
	<p>Registered owner WESB</p> <p>Title details (i) HSD 529925, PTD 172997, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;</p>					

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Title details / Postal address	Description of property / Tenure / Existing use	Category of land use/ Restriction in interest	Approximate land area / built-up area	Date of issuance of CF / CCC / Major encumbrances	Audited NBV as at 30.9.2023 (RM'000)
	(ii) HSD 529926, PTD 172998, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;		accordance with the local development plan.			
	(iii) HSD 529927, PTD 172999, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(iv) HSD 529932, PTD 173008 Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(v) HSD 529933, PTD 173009, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(vi) HSD 529934, PTD 173010, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(vii) HSD 529935, PTD 173011, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(viii) HSD 529938, PTD 173014, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(ix) HSD 529939, PTD 173015, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Title details / Postal address	Description of property / Tenure / Existing use	Category of land use/ Restriction in interest	Approximate land area / built-up area	Date of issuance of CF / CCC / Major encumbrances	Audited NBV as at 30.9.2023 (RM'000)
	(x) HSD 529940, PTD 173016, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(xi) HSD 529941, PTD 173017, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(xii) HSD 529942, PTD 173018, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(xiii) HSD 529943, PTD 173019, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(xiv) HSD 529945, PTD 173024, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor;					
	(xv) HSD 529947, PTD 173026, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor.					
	Postal Address Nil					

Notes:

- (1) This property was previously used to provide accommodation for our Group's employees who were from outstation. Nonetheless, this practice has been ceased in 2018 and the said property has been vacant since then.
- (2) This property was acquired in May 2023.

7. BUSINESS OVERVIEW (CONT'D)

7.20.2 Properties rented by our Group

The details of material properties rented by our Group as at the LPD are set out below:

No.	Registered owner / Landlord	Tenant	Property address	Description of property / Existing use	Approximate built-up area (sq. ft.)	Date of issuance of CF / CCC	Tenure of tenancy	Rental per annum (RM'000)
1.	Wencor	WESB	No. 11, Jalan Gagah, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor	Description Single storey detached factory and a double storey office building (also referred to as Lot 11 in this Prospectus) Existing use Manufacturing facilities and office	118,801	29 January 2008	1 October 2021 to 30 September 2024	1,426
2.	Hap Huat Food Industries Sdn Bhd	WESB	No. 58, Jalan Langkasuka, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor	Description Double storey detached factory with an annexed single storey office (also referred to as Lot 58 in this Prospectus) Existing use Manufacturing facilities and office	45,320	30 September 1991	1 November 2023 to 31 October 2025	372
3.	Registered owner Leaderart Industries (M) Sdn Bhd Landlord Yukim (Malaysia) Sdn Bhd ("Yukim Malaysia") ⁽¹⁾	WESB	B-4-4, B-4-5, B-4-6, B-4-7 B-4-8, Block B, No.1, Jalan Tahana, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Johor	Description 5 units of hostel within a 5-storey worker hostel building Existing use Worker's hostel	855 (per unit)	13 July 2015	10 July 2022 to 31 January 2025	150

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Landlord	Tenant	Property address	Description of property / Existing use	Approximate built-up area (sq. ft.)	Date of issuance of CF / CCC	Tenure of tenancy	Rental per annum (RM'000)
4.	Registered owner Leaderart Industries (M) Sdn Bhd / Landlord Yukim Malaysia ⁽¹⁾	WESB	B-2-4, B-2-5, B-2-6, B-2-7 Block B, No.1, Jalan Tahana, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Johor	Description 4 units of hostel within a 5-storey worker hostel building Existing use Worker's hostel	855 (per unit)	13 July 2015	1 February 2023 to 31 January 2025	120
5.	Registered owner Westlite Dormitory (Tampoi) Sdn Bhd ("Westlite Dormitory") Landlord VSMAS Management Sdn Bhd ("VSMAS") ⁽²⁾	WESB	Block A-1-11, A-2-15, A-3-15, No. 6, Jalan Bayu, Taman Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor	Description 3 units of hostel within a 5-storey worker hostel building Existing use Worker's hostel	646 (per unit)	27 October 2021	1 January 2024 to 31 December 2024	182
6.	Registered owner Westlite Dormitory Landlord VSMAS ⁽²⁾	WESB	Block A-3-14, No. 6, Jalan Bayu, Taman Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor	Description 1 unit of hostel within a 5-storey worker hostel building Existing use Worker's hostel	511	27 October 2021	1 January 2024 to 31 December 2024	46
7.	Registered owner Westlite Dormitory Landlord VSMAS ⁽²⁾	WESB	Block C-1-09, No. 6, Jalan Bayu, Taman Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor	Description 1 unit of hostel within a 5-storey worker hostel building Existing use Worker's hostel	646	27 October 2021	4 November 2023 to 3 November 2024	61

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Landlord	Tenant	Property address	Description of property / Existing use	Approximate built-up area (sq. ft.)	Date of issuance of CF / CCC	Tenure of tenancy	Rental per annum (RM'000)
8.	Registered owner Westlite Dormitory Landlord VSMAS ⁽²⁾	WESB	Block B-4-11, A-1-01, C-1-05, C-1-06, C-1-11, C-2-05, No. 6, Jalan Bayu, Taman Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor	Description 6 units of hostel within a 5-storey worker hostel building Existing use Worker's hostel	512 (per unit)	27 October 2021	7 November 2023 to 6 November 2024	273
9.	Registered owner Westlite Dormitory Landlord VSMAS ⁽²⁾	WESB	Block B-2-06, No. 6 Jalan Bayu, Taman Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor	Description 1 unit of hostel within a 5-storey worker hostel building Existing use Worker's hostel	512	27 October 2021	5 February 2023 to 4 February 2024	42
10.	83 Design & Print Pte Ltd	WEPL	1 Corporation Drive, #07-09, Revv Singapore 619775	Description General industry factory on the 7 th storey of the building Existing use Office	216	30 March 2022	15 November 2023 to 14 November 2025	23

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Yukim Malaysia is a hostel service management provider engaged by our Group to provide accommodation for our workers and the said property is rented by Yukim Malaysia from Leaderart Industries (M) Sdn Bhd, the registered owner of the property.
- (2) VSMAS is a hostel service management provider engaged by our Group to provide accommodation for our workers and the said property is rented by VSMAS from Westlite Dormitory, the registered owner of the property.

As at the LPD, all our worker's hostels have been issued with a valid Certificate of Accommodation issued by the Department of Labour Peninsular Malaysia.

As at the LPD, there is no breach of any property or land use conditions, non-compliance with any regulatory requirements, land rules or building regulations / by-laws, and environmental issue which may materially affect our Group's operations and/or usage of properties owned and rented by our Group as set out in Section 7.20.1 and Section 7.20.2 of this Prospectus respectively.

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7. BUSINESS OVERVIEW (CONT'D)

7.21 MAJOR APPROVALS, LICENSES AND PERMITS

Details of the approvals, major licenses and permits obtained by our Group as at the LPD are set out below:

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
WESB	MBJB	MBJB (L) 2016LI02360	1 January 2024 / 31 December 2024	Business premise and advertisement license for Lot 58	Nil	-
WESB	MBJB	MBJB (L) 2009LI01121	1 January 2024 / 31 December 2024	Business premise and advertisement license for Lot 11	Nil	-
WESB	MITI	A 022576	18 April 2023 / Nil	Manufacturing license for Lot 11 ⁽¹⁾	(i) WESB shall notify MITI and MIDA of any sale of shares in WESB. (ii) WESB shall comply with the minimum Capital Investment Per Employee (CIPE) of RM140,000. (iii) The full-time workforce of WESB shall consist of at least 80% Malaysian citizen by 31 December 2024. Employment of foreign workers will be subject to the applicable policy at the time. (iv) WESB shall submit information regarding its investment performance and projects implemented under the ICA 1975 and MIDA Act 1965 when required by MIDA. Failing to present the said information might result in the company:	Noted Complied To be complied ⁽²⁾ Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
WESB	MITI	A 024546	18 April 2023 / Nil	Manufacturing license for Lot 58 ⁽³⁾	<ul style="list-style-type: none"> - being found guilty of an offence and be imposed a fine of not more than RM1,000 or imprisonment for a term not exceeding three months or both and the company can be further fined for up to RM500 for every subsequent day the offence continues; or - being held liable for an offence for furnishing statements or information that is false or misleading in any material form which can result in a fine of not more than RM2,000 or imprisonment for a term not exceeding six months or both. <p>(v) WESB shall implement its project as approved and comply with any laws and regulations of Malaysia.</p> <p>(i) WESB shall notify MITI and MIDA of any sale of shares in WESB.</p> <p>(ii) WESB shall comply with the minimum Capital Investment Per Employee (CIPE) of RM140,000.</p> <p>(iii) The full-time workforce of WESB shall consist of at least 80% Malaysian citizen by 31 December 2024. Employment of</p>	<p>Noted</p> <p>Noted</p> <p>Complied</p> <p>To be complied⁽²⁾</p>

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
					<p>foreign workers will be subject to the applicable policy at the time.</p> <p>(iv) WESB shall submit information regarding its investment performance and projects implemented under the ICA 1975 and MIDA Act 1965 when required by MIDA. Failing to present the said information might result in the company:</p> <ul style="list-style-type: none"> - being found guilty of an offence and be imposed a fine of not more than RM1,000 or imprisonment for a term not exceeding three months or both and the company can be further fined for up to RM500 for every subsequent day the offence continues; or - being held liable for an offence for furnishing statements or information that is false or misleading in any material form which can result in a fine of not more than RM2,000 or imprisonment for a term not exceeding six months or both <p>(v) WESB shall implement its project as approved and comply with any laws and regulations of Malaysia.</p>	<p>Noted</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
WESB	Royal Malaysian Customs Department ("RMCD")	J10-GPB-0271/2023	1 December 2023 / 30 November 2025	License under Section 65A of the Customs Act 1967 for warehousing and manufacturing of all kinds of dutiable good / custom duty goods for Lot 11 and Lot 58	<p>(i) Licence and licensed manufacturing warehouse ("LMW") plan approved by the State Director of Customs shall be displayed at a prominent place on the premise.</p> <p>(ii) No taxable goods other than raw materials / components and machinery used directly in manufacturing, and manufactured goods which have been approved by the State Director of Customs may be stored in the LMW.</p> <p>(iii) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.</p> <p>(iv) At least 80% of the finished products (by value) are to be exported, and not exceeding 20% of the finished products (by value) can be sold in the local market for the period of 12 (twelve) months (within the licensing period starting from the approval date). Goods sold in the domestic market are subject to any prevailing duties / tax at the time.</p> <p>(v) This license can be revoked at any time in the event of breach of conditions, under the Customs Act 1967 or Regulations thereunder.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
WESB	Department of Occupational Safety and Health ("DOSH")	PMA-JH/23 202533	28 March 2023 / 21 June 2024	Certificate of fitness for Single Girder Overhead Travelling Crane with the registration no. of JH PMA 3476	Nil	-
WESB	DOSH	PMA-JH/22 190707	26 October 2022 / 12 January 2024	Certificate of fitness for Single Girder Overhead Travelling Crane with the registration no. of JH PMA 87889	Nil	-
WESB	DOSH	PMA-JH/23 208827	7 June 2023 / 29 August 2024	Certificate of fitness for Single Girder Overhead Travelling Crane (I-BEAM) with the registration no. of JH PMA 89479	Nil	-
WESB	DOSH	PM-JH/22 190708	26 October 2022 / 12 January 2024	Certificate of fitness for Air Receiver with the registration no. of JH PMT 13212	Nil	-

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
WESB	DOSH	PM-JH/22 190709	26 October 2022 / 12 January 2024	Certificate of fitness for Air Receiver with the registration no. of JH PMT 13213	Nil	-
WESB	DOSH	PMT-JH/23 217514	4 September 2023 / 3 December 2024	Certificate of fitness for Portacryo with the registration no. of JH PMT 18619	Nil	-
WESB	DOSH	PMT-JH/23 208849	7 June 2023 / 29 August 2024	Certificate of fitness for Air Receiver with the registration no. of JH PMT 25018	Nil	-
WESB	DOSH	PM-JH/23 217513	4 September 2023 / 3 December 2024	Certificate of fitness for Cryogenic Container with the registration no. of JH PMT 26791	Nil	-
WESB	DOSH	PM-JH/23 208850	7 June 2023 / 29 August 2024	Certificate of fitness for Air Tank with the registration no. of JH PMT 30332	Nil	-

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
WESB	DOSH	PMT-JH/23 208842	7 June 2023 / 29 August 2024	Certificate of fitness for Air / Vacuum/ N2 Tank 1500 Litres X-1 / 10.34Bar OD930 X 1830SL with the registration no. of JH PMT 89252	Nil	-
WESB	DOSH	PMT-JH/23 208848	7 June 2023 / 29 August 2024	Certificate of fitness for Blast Pot 34 Litre with the registration no. of JH PMT 91607	Nil	-
WESB	Ministry of Domestic Trade and Cost of Living ("KPDN")	KPDNHEP,J-JB/26/5A/11/220 (P/D)(P9)	16 February 2021 / 15 February 2024	License for purchase and storage of diesel oil for Lot 11	WESB is allowed to purchase and store the scheduled item listed in the license only.	Noted
WESB	KPDN	KPDNHEP,J-JB/26/5A/11/1522 (P/D)(B)	27 March 2022 / 26 March 2025	License for purchase and storage of diesel oil for Lot 58	WESB is allowed to purchase and store the scheduled item listed in the license only.	Noted
WESB	KPDN	KPDNHEP,J-JB/26/5A/11/26 (LPG)(P9)	16 February 2021 / 15 February 2024	License for purchase and storage of liquefied petroleum gas for Lot 11	WESB is allowed to purchase and store the scheduled item listed in the license only.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
WESB	Fire and Rescue Department of Malaysia ("FRDM")	JBPM: JH/7/296/2023	21 June 2023 / 20 June 2024	Fire certificate for Lot 58	Nil	-
WESB	FRDM	JBPM: JH/7/7771/2022	14 December 2022 / 13 December 2023 ⁽⁴⁾	Fire certificate for Lot 11	Nil	-
WESB	Johor State Health Department	JC0073/2024	1 January 2024 / 31 December 2024	Certificate of registration for the purchase, storage and use of sodium hydroxide for Lot 11	Nil	-
WEPL	Singapore Customs	Nil	9 October 2018 / Nil	Registration of persons making declaration with Singapore Customs	<p>(i) A declaring entity and the registration of a declaring entity shall be subject to Part IVA of the RIER and Part XIVA of the Customs Regulations of Singapore ("CR").</p> <p>(ii) The declaring entity and all the key personnel must fulfil the "fit and proper" criteria set out in Regulation 35D of the RIER and Regulation 112D of the CR. Further:</p> <ul style="list-style-type: none"> - At any point in time after the declaring entity has been 	<p>Noted</p> <p>Complied</p>

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
					<p>registered, the declaring entity or key personnel may be required by the Singapore Customs to furnish such information and documents to show that the declaring entity and all its key personnel are "fit and proper" persons.</p> <p>- If at any point in time after the declaring entity has been registered, Singapore Customs is of the opinion that the declaring entity and / or its key personnel have ceased to be "fit and proper" persons, Singapore Customs may immediately suspend or terminate the registration of the declaring entity.</p>	
					<p>(iii) For declarations not involving preferential certificate of origin, the declaring entity shall ensure proper maintenance of all trade documents and records in connection with the activity to which the registration relates, for a period of not less than 5 years. Such records shall include, but shall not be limited to, the invoices, packing lists, bill of lading, air waybills and any other relevant documents or records.</p>	Noted and complied
					<p>(iv) The declaring entity shall not permit a third party to use its UEN to apply for a</p>	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing authority	Licence / Reference no.	Issue date / Expiry date	Description of licence / approval	Major conditions imposed	Compliance status
					<p>permit for goods not belonging to the declaring entity.</p> <p>(v) The declaring entity shall ensure that all documents and information provided by it to the declaring agent/declarant to make a declaration are accurate and correct.</p> <p>(vi) The declaring entity must inform the Singapore Customs of any changes to any of its particulars registered with Director-General, and of any change to its key personnel. Such changes include, but are not limited to, any change in ownership, change in address, change in contact details and termination of business.</p> <p>(vii) Any notice of such change as specified in clause (vi) above must be made electronically within 7 days of the effective date of change, to the Singapore Customs via the Singapore Customs' website.</p>	<p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p>

Notes:

- (1) Our Group's manufacturing activities at Lot 11 were initially undertaken by WESB in year 2007 when WESB relocated to Lot 11 from its old factories known as Lot 83 and Lot 317. WESB was not exempted from having a manufacturing licence for these activities as its shareholders' funds were more than RM2.50 million and it employed more than 75 full-time employees. Upon the said relocation, WESB continued to operate at Lot 11 under the previous manufacturing licenses obtained for Lot 83 and Lot 317.

7. BUSINESS OVERVIEW (CONT'D)

In year 2019, following the change of WESB's name from "Twin Shell Engineering Sdn Bhd" to "Wentel Engineering Sdn Bhd", WESB began the process of applying to MIDA for a manufacturing licence with the intention of changing the name on the manufacturing licence without realising the requirement of having a manufacturing licence specifically issued for the relevant place of manufacturing. As such, WESB was undertaking manufacturing activities without a manufacturing licence at Lot 11 ("**Lot 11 Non-Compliance with ICA 1975**") until it had subsequently obtained a manufacturing licence, which was effective from 30 June 2020 and specifically for Lot 11. As at the LPD, neither our Group's Directors nor our Group were fined or issued with any notice of non-compliance from the relevant authorities in relation to the above. In addition, we had on 28 March 2023 held a discussion with MIDA to clarify on the aforesaid matter and MIDA had confirmed that there will not be any penalty imposed retrospectively on our Group nor any implications to WESB following the licence obtained for Lot 11.

Further, WESB had on 17 March 2023 submitted an application to the MIDA to update the product description of Lot 11's manufacturing licence from "*Metal Detector Unit, Metal Cutting, Punching, Bending, Shearing and Laser Cutting Activity, Metal Fabrication, Work & Sub Assembly, Powder Coating & Painting Activity*" dan "*Washing & Leak Testing for Automobile Industries*" to "*Precision machine parts and components and Electroplating*" for clarity. WESB had received an approval for the said application on 18 April 2023. The revised manufacturing licence for Lot 11 which has been issued by MITI was effective from 18 April 2023.

(2) Based on the approval from MIDA, WESB is required to meet all conditions, where applicable, prior to commencing its manufacturing activities. As at the LPD, WESB has yet to comply with the condition or submit an application to MIDA to vary such condition under section 4(4) of the ICA 1975. Nonetheless, pursuant to the Guideline on Application for E-Manufacturing Licence (with effect from 3 November 2022) issued by MIDA, compliance with the condition that the total full-time workforce of a company to be at least 80% Malaysian citizens as stated in all manufacturing licenses is relaxed until 31 December 2024. Such relaxation is applicable to WESB. In the event WESB is unable to comply with the condition by 31 December 2024 and an extension of time application is not approved by MIDA, MIDA may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and / or revoking the licence for any breach or non-compliance of the conditions. As at the LPD, WESB has approximately 42.59% of local workforce.

Notwithstanding the above, WESB will make various efforts to comply with the condition, such as actively advertising and recruiting Malaysian citizens as employee as well as engaging third party agency to hire Malaysian citizens as production workers.

(3) Our Group's manufacturing activities at Lot 58 were initially undertaken by WESB in year 2013 and WESB was not exempted from having a manufacturing licence for these activities as its shareholders' funds were more than RM2.50 million and it employed more than 75 full-time employees. At the end of year 2022, in the course of reviewing its licensing requirements, WESB realised that it requires a manufacturing licence specifically for its manufacturing activities at Lot 58 and began the process of applying to MIDA for a manufacturing licence. As such, WESB was undertaking manufacturing activities without a manufacturing licence at Lot 58 ("**Lot 58 Non-Compliance with ICA 1975**") until it had subsequently obtained a manufacturing licence, which was effective from 15 June 2022 and specifically for Lot 58. As at the LPD, neither our Group's Directors nor our Group were fined or issued with any notice of non-compliance from the relevant authorities in relation to the above. In addition, we had on 28 March 2023 held a discussion with MIDA to clarify on the aforesaid matter and MIDA had confirmed that there will not be any penalty imposed retrospectively on the Group nor any implications to WESB following the licence obtained for Lot 58.


7. BUSINESS OVERVIEW (CONT'D)

Further, WESB had on 17 March 2023 submitted an application to the MIDA to update the product description of Lot 58's manufacturing license from "Metal Detector Unit, Metal Cutting, Punching, Bending, Shearing and Laser Cutting Activity, Metal Fabrication, Work & Sub Assembly, Powder Coating & Painting Activity' dan 'Washing & Leak Testing for Automobile Industries" to "Precision machine parts and components and Electroplating" for clarity. WESB had received an approval for the said application on 18 April 2023. The revised manufacturing license for Lot 58 which has been issued by MITI was effective from 18 April 2023.



- (4) The fire certificate for Lot 11 (License No. JBPM: JH/7/771/2022), which expired on 13 December 2023, is currently undergoing renewal. Our Group have submitted the renewal application to the FRDM on 7 November 2023 prior to its expiry. As part of the renewal process, FRDM has completed the inspection for Lot 11 on 4 January 2024. The renewal application is currently pending subsequent approval.

7.22 INTELLECTUAL PROPERTY

As at the LPD, save as disclosed below, our Group has not registered and is not in the process of registering any other intellectual property rights, patents, trademarks or registration:

Trademark	Registered owner	Approving authority	Description	Trademark no.	Status / Expiry date
WENTEL	WESB	Intellectual Property Corporation of Malaysia ("MyIPO")	Class 37 ⁽¹⁾	TM2019023935	Registered / 4 July 2029
WENTEL	WESB	MyIPO	Class 40 ⁽²⁾	TM2019023946	Registered / 4 July 2029
WENTEL	WESB	MyIPO	Class 42 ⁽³⁾	TM2019023955	Registered / 4 July 2029
	WESB	MyIPO	Class 37 ⁽¹⁾	TM2019023974	Registered / 4 July 2029

7. BUSINESS OVERVIEW (CONT'D)

Trademark	Registered owner	Approving authority	Description	Trademark no.	Status / Expiry date
	WESB	MyIPO	Class 40 ⁽²⁾	TM2019023987	Registered / 4 July 2029
	WESB	MyIPO	Class 42 ⁽³⁾	TM2019023990	Registered / 4 July 2029

Notes:

- (1) Machinery installation; machinery repair services; machinery maintenance services; machinery retrofit and conversion services; machine cleaning services; rental and leasing of machinery; reconditioning of industrial machinery; providing information relating to the installation of machinery.
- (2) Assembly of products for others; custom manufacture and assembly services for others; contract moulding services; custom fabrication; custom construction of machines; custom manufacture of semiconductor components; devices and circuits; metal moulding; metal fabrication finishing services; prototype fabrication of engineering equipment and components for others; rental of assembly machine equipment; rental of equipment for the treatment and transformation of materials, for energy production and for custom manufacturing; treatment and transformation of plastic materials to produce plastic mouldings; services for customized plastic injection moulding.
- (3) Examination of welded fabrications to determine soundness, structure, properties; engineering services for the design and analysis of machinery; design of machinery; design of manufacturing methods; development of industrial machinery; design and development of computer hardware for the manufacturing industry; design and development of testing and analysis methods; design and testing of new products; design and testing for new product development; research relating to the industrial and construction machinery; technical consultancy in the design of machinery for electronic circuitry manufacture; inspection of plant and machinery; quality control testing services for industrial machinery.

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7. BUSINESS OVERVIEW (CONT'D)

7.23 EXCHANGE CONTROL

7.23.1 Malaysia

The Financial Services Act 2013 is an act to provide regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and any related, consequential or incidental matters.

Foreign Exchange Administration provides for the regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and any related, consequential or incidental matters.

Pursuant to Notice 4 issued by BNM, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of ringgit asset, provided that the repatriation is made in foreign currency and the conversion of ringgit into foreign currency is undertaken in accordance with Part B of Notice 1 issued by BNM. Notice 4 also governs the payment and receipt of local or foreign currencies from the Malaysian entities and foreign entities. There is no restriction for Malaysian entities to make or receive payments from each other in RM, or to or from entities overseas in foreign currency.

Pursuant to Notice 7 issued by BNM, Malaysian entities shall receive the full value (excluding any deductions approved by the BNM such as handling charge including freight and insurance or takaful costs) of the proceeds of its export of goods in RM or foreign currency on or before the payment date of the export contract which shall not exceed 6 months from the date of shipment.

Foreign exchange administration rules allow non-residents to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Repatriation, however, must be made in foreign currency.

Pursuant to Notice 2 issued by the BNM, a resident is free to give a financial guarantee on behalf or in favour of a non-resident except for the financial guarantee issued to secure:

- (i) Foreign currency borrowing obtained by a non-resident special purpose vehicle (SPV) from a non-resident entity outside the resident guarantor's group, which is subject to external borrowing limit as per Notice 2; or
- (ii) Foreign currency borrowing obtained by a non-resident where the repayment of the borrowing will be paid by a resident (other than when the financial guarantee is called upon under an event of default), which shall be subjected to investment in foreign currency asset limit as per notice issued by the BNM.

As at the LPD, we comply with the exchange control requirement in relation to the payments and receipt of local and foreign currencies with our customers and suppliers.

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7. BUSINESS OVERVIEW (CONT'D)

7.23.2 Singapore

Return of capital proceeds

Pursuant to the provisions of the CA of Singapore, capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the CA of Singapore and the company's constitution (or memorandum and articles of association). There are no restrictions on payment of capital from a capital reduction exercise to foreign shareholders who are not subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities.

A company may, if so authorised by its constitution (or memorandum and articles of association) and subject to the requirements imposed by the CA of Singapore, buy back its own shares. Similarly, there are no restrictions on payment of the purchase price to foreign shareholders in respect of such purchase.

Dividend distribution

There are no foreign exchange control restrictions imposed under Singapore laws and there are no exchange control formalities or approvals required for all forms of payments (including dividends out of profits) or capital transfers into or out of Singapore. There are no restrictions on the payment of dividends to a foreign shareholder. As such, WEPL is not restricted in its ability to repatriate profits to Malaysia.

No dividend is payable to the shareholders of any company except out of profits. Under Singapore law, WEPL may, by ordinary resolution, declare dividends at a general meeting, but it may not pay dividends in excess of the amount recommended by its directors.

Taxation

Singapore does not impose taxes on capital gains. Dividend payments to resident and non-resident shareholders are not subject to withholding tax in Singapore.

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7. BUSINESS OVERVIEW (CONT'D)

7.24 GOVERNING LAWS AND REGULATIONS

7.24.1 Governing laws and regulations to our business in Malaysia

Our Group's business operations in Malaysia are subject to the following laws and regulations:

(i) ICA 1975

Pursuant to the ICA 1975, no person shall engage in any manufacturing activity unless he is issued with a licence in respect of such manufacturing activity. The ICA 1975 defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade". Failure to comply is an offence under the ICA 1975 and the person is liable, on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

Manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

As at the LPD, we have valid MITI Licences for Lot 11 and Lot 58. Kindly refer to Section 7.21 of this Prospectus for the details of our compliance with the ICA 1975.

Save for Lot 11 Non-Compliance with ICA 1975 (as set out in note (1) of Section 7.21 of this Prospectus) and Lot 58 Non-Compliance with ICA 1975 (as set out in note (3) of Section 7.21 of this Prospectus), our Group had no other non-compliance incident pertaining to the ICA 1975 during the Period Under Review and up to the LPD. Please refer to Section 7.21 of this Prospectus for information on the nature and extent of these non-compliances and rectification measures taken. There was no impact to our business operations and financial performance due to these non-compliances.

(ii) Factories and Machinery Act 1967 ("FMA 1967")

The FMA 1967 provides for the control of factories with respect to matters relating to the safety, health and welfare of persons in the factories, the registration and inspection of machinery, as well as other matters connected therewith.

The FMA 1967 dictates that the occupier of the factory has a duty to maintain the standards of safety of the appliances and machinery in his factory as well as the health and welfare of his factories and factory workers. Such standards include taking precautions against fire, proper maintenance of safety appliances and machinery, keeping of a clean factory, and mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machinery.

Under the FMA 1967, no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is a valid certificate of fitness issued under the FMA 1967 in relation to the operation of the machinery. In the event of any contravention, an inspector of factories and machinery appointed under the FMA 1967 shall serve the person a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until a valid certification of fitness is issued.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, our Group complies with the requirements under FMA 1967 and we hold valid certificates of fitness for our machinery that require certifications under the FMA 1967 installed in Lot 11 and Lot 58. Please refer to Section 7.21 of this Prospectus for the certificates of fitness issued to our Group.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the FMA 1967.

(iii) **Occupational Safety and Health Act 1994 (“OSHA 1994”) and Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000 (“USECHH”)**

The OSHA 1994 makes provisions for securing the safety, health and welfare of persons at work, to protect others against risks to safety or health in connection with the activities of persons at work, as well as to promote an occupational environment for persons at work.

It shall be the duty of every employer to conduct its undertaking in such a manner as to ensure, as far as possible, that he and other persons, not being its employees who may be affected thereby are not exposed to risks to their safety or health.

In addition, pursuant to the USECHH, which is a subsidiary legislation pursuant to the OSHA 1994, an employer shall not carry out any work which may expose or is likely to expose any employee to any chemical hazardous to health unless he has made a written assessment of the risk created by the chemical to the health of the employee.

Pursuant to the OSHA 1994, a person who by any act or omission contravenes any provision of the OSHA 1994 or any regulation made thereunder, shall be guilty of an offence, and if no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 1 year or to both, and in the case of continuing offence, to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

As at the LPD, our Group has conducted written assessment of the risk created by the chemical used in Lot 11 and Lot 58 and our Group’s Health and Safety Policy has been communicated to the employees of our Group.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the OSHA 1994 and USECHH.

(iv) **Environmental Quality Act 1974 (“EQA 1974”)**

The EQA 1974 regulates and controls the levels of pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without licence, prohibits the discharge of oil and wastes into Malaysian waters without a licence and prohibits open burning.

The Environmental Quality (Clean Air) Regulations 2014 (“EQCAR 2014”) is a subsidiary legislation pursuant to the EQA 1974 which regulates the emission of air pollutants to the atmosphere and specifies the requirements for an air pollution control system for every premises to which the EQCAR 2014 applies to, including any premises used for any industrial or trade purposes, or on which matter is burnt in connection with any industrial or trade purposes and any other premises or process that discharges or is capable of discharging air pollutants into the open air. Any person who contravenes or fails to comply with any provisions of the EQCAR 2014 will be guilty of an offence and shall be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 2 years or to both.

7. BUSINESS OVERVIEW (CONT'D)

The Environmental Quality (Industrial Effluent) Regulations 2009 (“**EQIER 2009**”) is a subsidiary legislation pursuant to the EQA 1974 which regulates the discharge or release of industrial or mixed effluents onto or into any soil, or into inland waters or Malaysian waters. The EQIER 2009 specifies the requirements for the design and construct of an industrial effluent treatment system to collect and treat industrial effluents generated within such premises. Any person who contravenes the EQIER 2009 will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to a term of imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued.

The Environmental Quality (Scheduled Wastes) Regulations 2005 (“**EQSWR 2005**”) is a subsidiary legislation pursuant to the EQA 1974 which impose on the waste generator of premises an obligation to record, store, label, treat and dispose scheduled waste in accordance to the regulation. Any person who contravenes the aforementioned will commit an offence, and will be compounded by the Director General or any other public officer or local authority to whom the Director General has delegated such power to a sum of money not exceeding RM2,000.

As at the LPD, our Group complies with the EQSWR 2005 as we have appointed a licensed service provider to collect and transport scheduled wastes from our factory, and dispose, treat and carry out other waste management related services at premises of the licensed service provider.

As at the LPD, our Group also complies with the EQCAR 2014 and EQIER 2009 as we have submitted the relevant notification to the Department of Environment pertaining to the construction and installation of the air pollution control system construction and installation of the industrial effluent treatment system, respectively.

Save as disclosed below, our Group had no other non-compliance incident pertaining to the EQA 1974 during the Period Under Review and up to the LPD:

- (a) pursuant to an inspection by the Department of Environment Negeri Johor at Lot 11 in March 2020, compounds for non-compliances under the EQSWR 2005 were issued to WESB. The penalties imposed for these non-compliances were RM5,000 (reduced from an original amount of RM10,000 following an appeal by WESB), which had been settled by WESB in June 2020; and
- (b) pursuant to an inspection by the Department of Environment Negeri Johor at Lot 58 in March 2022, a compound for non-compliance under the EQSWR 2005 was issued to WESB. The penalty imposed for this non-compliance was RM1,000 (reduced from an original amount of RM2,000 following an appeal by WESB), which had been settled by WESB in April 2022.

There was no material impact to our Group’s business operations and financial performance due to these non-compliances. Our Group currently has in place relevant policies to prevent recurrence of similar non-compliances.

- (v) **Employees’ Minimum Standards of Housing, Accommodation and Amenities Act 1990 (“EMSHAA 1990”), Workers’ Minimum Standards of Housing and Amenities (Amendment) Act 2019 and the Employees’ Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020**

The EMSHAA 1990 and its subsidiary regulations require employers and centralised accommodation providers to comply with the minimum statutory requirements relating to centralised accommodation provided to employees.

7. BUSINESS OVERVIEW (CONT'D)

The EMSHAA 1990 was amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 where effective from 1 June 2020, employers must abide by enhanced minimum standards on accommodation for employees which includes obtaining a Certificate of Accommodation from the Department of Labour Peninsular Malaysia. Notwithstanding, a 3 months' grace period up to 31 August 2020 was granted to allow employers to make necessary arrangements to ensure compliance with the EMSHAA 1990. Nonetheless, in any event that the accommodation provided does not have a valid Certificate of Accommodation, the employer will be liable to a fine not exceeding RM50,000.

As at the LPD, we have engaged Yukim (Malaysia) Sdn Bhd and VSMAS Management Sdn Bhd as our centralised accommodation providers for all accommodations provided to our employees and all accommodations were issued with the Certificate of Accommodation by the Department of Labour Peninsular Malaysia.

Kindly refer to Section 7.20.2 of this Prospectus for the details of the compliance of our tenanted properties with the above regulations.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the EMSHAA 1990, Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019, and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020.

(vi) Customs Act 1967 ("CA 1967")

The CA 1967 governs, among others, the levying of custom duties, port clearances, warehousing and other custom-related matters.

Pursuant to Sections 65 and 65A of the CA 1967, the Director General of Customs may on payment of such fees as may be fixed by him in each case, grant a license to any person for warehousing and manufacturing goods liable to custom duties and any other goods in a place or places specified in the license.

Pursuant to the Customs Duties (Exemption) Order 2017, customs duty exemption is given to all raw materials and components used directly in the manufacturer of finished or semi-finished goods in premises of manufacturers undertaking subcontract work in the principal customs area provided among others, that the goods belong to a category that has been approved by the Director General of Customs and prior approval has been obtained by the said manufacturer licensed under Section 65 or Section 65A of the CA 1967.

Section 138 of the CA 1967 provides that any breach of the conditions and restrictions stipulated under any licence or permit issued shall constitute an offence and in respect of any such offence for which no penalty is expressly provided, the offender shall be liable to a fine of not exceeding RM50,000 or imprisonment for a term not exceeding 5 years or both.

As at the LPD, WESB is a licenced manufacturing warehouse company whose licence was granted by the Director General of Customs for the warehousing and manufacturing of approved products on Lot 11 and Lot 58. With the issuance of the licenced manufacturing warehouse licence, our raw materials and components used directly in the manufacturing process are exempted from custom duties.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the CA 1967.

7. BUSINESS OVERVIEW (CONT'D)

(vii) Control Of Supplies Act 1961 (“CSA 1961”)

The CSA 1961 governs the Control of Supplies Regulations 1974 (“**Control of Supplies Regulations**”) for the control and rationing of supplies of any controlled article. The Minister may, by order published in the Gazette, declare, either generally or with reference to some specified part of Malaysia any article or food to be controlled article or to be a rationed article or both; or any controlled article to be marked with any marking as he may specify.

Regulation 9(2) of the Control of Supplies Regulations provides that a wholesaler shall not sell any scheduled article, which includes the sale of liquefied petroleum gas and diesel, in which he is authorised to sell to any person other than to a wholesaler or retailer who is authorised to deal or purchase such scheduled article by wholesale or retail, as the case may be unless he is authorised in writing by the Controller of Supplies appointed under the CSA 1961 to sell the scheduled article to any purchaser or class of purchasers; or the purchaser is authorised in writing by the Controller to purchase such scheduled article.

Section 22(2) of the CSA 1961 states that any body corporate which commits an offence shall, on conviction be liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000.

As at the LPD, we hold and maintain a valid license issued by the Ministry of Domestic Trade and Costs of Living for the purchase of diesel oil for Lot 11 and Lot 58 and liquefied petroleum gas for Lot 11.

Kindly refer to Section 7.21 of this Prospectus for the details of the compliance on the purchase of the said products under the CSA 1961 and its regulations.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the CSA 1961.

(viii) Poisons Act 1952 (“PA 1952”) and Poisons (Sodium Hydroxide) Regulations 1962 (“P(SH)R 1962”)

The PA 1952 to be read together with the P(SH)R 1962 conferred the power to the Minister of Health and Social Welfare specifying that a permit is needed for the sale of sodium hydroxide.

Under Regulation 4 of the P(SH)R 1962, a permit to purchase, store and use sodium hydroxide may be issued by the Director of Medical Services, or any Licensing Officer of the Medical Department authorised in writing by the Director of Medical Services. Such licence may be a Type E licence issued to any person and / or a representative of a company who is nominated as its responsible officer who in the course of his business uses sodium hydroxide in such substantial quantity that the Licensing Officer deems it appropriate to issue him a license to import, store and use sodium hydroxide.

Under Section 32(2) of the PA 1952, any person guilty of an offence under PA 1952, for which no other penalty is specifically provided by the PA 1952 or by any regulations made thereunder, shall be punishable by a fine not exceeding RM3,000 or by imprisonment for a term not exceeding 1 year or both.

As at the LPD, we hold and maintain a valid certificates of registration for the purchase, storage and use of sodium hydroxide issued by the Director of Medical Services of Johor State Health Department for Lot 11.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the PA 1952 and P(SH)R 1962.

7. BUSINESS OVERVIEW (CONT'D)

(ix) **Local Government Act 1976 (“LGA 1976”) and the Licensing of Trades, Business and Industries (Johor Bahru City Council) By-Laws 2016 (“By-Laws 2016”)**

The LGA 1976 confers the power to the local authority to make, amend and revoke by-laws. As our business is carried out in Johor Bahru, we come under the jurisdiction of the MBBJ and the relevant by-laws governing the conduct of our business would be the By-Laws 2016.

The By-Laws 2016 provides that no person shall use any place or premises within the area of MBBJ for any trade, business or industry without a licence issued by the local authority. A contravention of the LGA 1976 and By-Laws 2016 would result in an offence, which upon conviction, result in a fine not exceeding RM2,000 or imprisonment or a term not exceeding one year or both and to a further fine not exceeding RM200 for every day during which the offence is continued after conviction.

As at the LPD, we hold and maintain a valid business premise and advertisement licences issued by MBBJ for Lot 11 and Lot 58.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the LGA 1976 and By-Laws 2016.

7.24.2 Governing laws and regulations to our business in Singapore

Our Group’s business operations in Singapore are subject to the following laws and regulations:

(i) **Workplace Safety and Health Act 2006 of Singapore (“WSHA 2006”) and Workplace Safety and Health (General Provisions) Regulations**

The WSHA 2006 which is regulated by the Ministry of Manpower of Singapore provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of persons at work. These measures include:

- (a) Providing and maintaining for those persons a work environment which is safe, without risk to health, and adequate as regards to facilities and arrangements for their welfare at work, and
- (b) Ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by those persons; and
- (c) Ensuring that those persons are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer; and
- (d) Developing and implementing procedures for dealing with emergencies that may arise while those persons are at work; and
- (e) Ensuring that those persons at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

Section 50 of the WSHA 2006 provides that any person who breaches his duty shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding SGD500,000 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding SGD5,000 for every day or part thereof during which the offence continues after conviction.

7. BUSINESS OVERVIEW (CONT'D)

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the WSHA 2006 and the Workplace Safety and Health (General Provisions) Regulations.

(ii) Regulation of Imports and Exports Act 1995 of Singapore (“RIEA 1995”) and RIER

The RIEA 1995 is administered by the Director-General of Customs appointed under Section 4(1) of the Singapore Customs Act 1960 and provides for the regulation, registration and control of imports and exports. The relevant regulatory body is the Singapore Customs. RIER requires permits to be granted for the import, export or transshipment of certain goods.

Any importer, exporter, shipping agent, air cargo agent, freight forwarder, common carrier or other person who desires to obtain a permit, certificate or any other document or form of approval for any purposes of the RIEA 1995 or any regulations made thereunder, the application for which involves a declaration being made, is a “declaring entity”. Under Regulation 35B of the RIER, unless the Director-General of Customs allows in any particular case, no declaration may be made for any purposes of the RIEA 1995 or any regulations made thereunder unless the declaring entity, and the declaring agent and the declarant, are registered by the Director-General of Customs prior to the making of the declaration.

An entity which is registered under the former Regulation 37(1) of the RIER in force immediately before 2 April 2013 shall be deemed to have been so registered.

Except where otherwise provided, any person who is guilty of an offence under the RIER shall be liable, (a) on the first conviction to a fine not exceeding SGD100,000 or 3 times the value of the goods in respect of which the offence was committed, whichever is the greater, or to imprisonment for a term not exceeding 2 years or to both; and (b) on the second or subsequent conviction to a fine not exceeding SGD200,000 or 4 times the value of the goods in respect of which the offence was committed, whichever is the greater, or to imprisonment for a term not exceeding 3 years or to both.

As at the LPD, WEPL has been registered with the Director-General of Customs as a declaring entity.

During the Period Under Review and up to the LPD, our Group had no non-compliance incident pertaining to the RIEA 1995 and the RIER.

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7. BUSINESS OVERVIEW (CONT'D)**7.25 MATERIAL DEPENDENCY ON COMMERCIAL OR FINANCIAL CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, PERMITS AND OTHER ARRANGEMENT**

As at the LPD, save for the major licences and permits, and intellectual property as disclosed in Sections 7.21 and 7.22 of this Prospectus respectively, we do not have any other regulatory approvals, licences, permits and intellectual property rights which we are materially dependent for our business or profitability. Further, save for the supply agreement dated 17 November 2021 between WESB and Customer E1 ("**Supply Agreement**"), we do not have any other commercial or financial contracts on which are materially dependent for our business or profitability. The salient terms of the Supply Agreement are as follows:

*Note: For the purpose of disclosing the salient terms of the Supply Agreement, WESB shall be referred to as the "**Supplier**" and Customer E1 shall be referred to as the "**Buyer**".*

Purpose	The Buyer requires a source for the supply of the products specified in Schedule 1 of the Supply Agreement (" Products ") and wishes to purchase the Products from the Supplier in accordance with the terms and conditions of the Supply Agreement. For the avoidance of doubt, the Products is subject to changes as the same may be amended by mutual agreement of the Supplier and Buyer from time to time.
Quantities and orders	<p>The Buyer shall provide its estimate of its requirements for the purchase of the products specified in the Schedule 4 of the Supply Agreement on an annual basis to the Supplier ("Forecast"). The initial 12 months⁽¹⁾ of the Forecast shall constitute a firm annual order, of 85% of the total 12 month⁽¹⁾ quantity, from the Buyer for the purchase of Products for the relevant year. After submission of the Forecast, the Buyer will provide the Supplier with a quarterly forecast. Subsequently, the Buyer will provide the Supplier with a Purchase Order every 2 weeks indicating the Buyer's actual total quantity requirement for that 2 weeks, which is not intended to constitute a legally binding commitment to purchase the Products⁽²⁾ ("Biweekly Orders"), which may vary from the Forecast, and the Supplier shall provide the Products in accordance with the Biweekly Orders.</p> <p>For the avoidance of doubt,</p> <ul style="list-style-type: none"> (a) any Forecasted quantities beyond the initial 12 month period from the date of the Forecast shall not constitute a binding commitment from the Buyer to order or pay for those Products; and (b) the Supplier shall be obligated to supply in accordance with the Biweekly Order⁽²⁾; and (c) the Buyer's commitment to purchase shall be satisfied upon fulfilment of 85% of the annual Forecast⁽¹⁾. <p>The Supplier acknowledges that the Buyer commits only to the purchase of the Products as set out in the purchase order issued by Buyer which is intended by the Buyer to be legally binding ("Order").</p> <p>The Buyer shall provide Supplier with the Buyer's final Order for any of the Products not less than 16 weeks prior to the end of</p>

7. BUSINESS OVERVIEW (CONT'D)

	<p>the term, which final Order shall not exceed the aggregate volume of the Order for the Products placed by Buyer. Any Order issued during the effective period of the Supply Agreement and not completed within that period shall be completed by the Supplier within the time specified in the Order.</p>
<p>Term</p>	<p>A period of 24 months from 17 November 2021 to 17 November 2023. The Buyer and Supplier may agree to extend the Supply Agreement by a further term of 24 months (or such other term not exceeding 24 months) after completion of the initial term by mutual written agreement of the parties. ⁽³⁾</p> <p><u>Price, payment and terms of shipment</u></p> <p>Pricing of each Product supplied by the Supplier under the Supply Agreement shall be set forth in Schedule 1 of the Supply Agreement, such prices to be exclusive of Goods and Services Tax. From time to time during the term of the Supply Agreement, the Buyer and Supplier may agree to revise the prices by mutual consent in writing.</p> <p>The amount due and owing for each shipment of product shall be paid to Supplier within 45 days after the date Buyer receives Supplier's invoice for such shipment. Title and risk of loss or damage shall pass from Supplier to Buyer at the time of delivery at the Buyer's designated facility.</p> <p>Where an Order exceeds USD100,000 (or other currency equivalent), if shipments of Products are late by more than 10 working days after the delivery date specified in the Order, or other such date as has been mutually agreed between the Buyer and the Supplier, the Buyer shall be entitled to claim from the Supplier liquidated damages of 1% of the invoice amount of the relevant Order per week of delay, up to 10%, which liquidated damages may be deducted by Buyer from any open invoice, or reimbursed to Buyer by Supplier on demand, at Buyer's election. If elected by Buyer, such liquidated damages shall be Buyer's sole and exclusive remedy for monetary damages with respect to such delivery delay.</p>
<p>Exclusivity</p>	<p>The Supplier shall not supply the Products directly to a material competitor of the Buyer, nor shall the Supplier knowingly sell Products to any reseller or distributor which will resell or distribute such Products to any material competitor of the Buyer. Upon written notice from the Buyer that the Supplier is supplying Products to such a material competitor, reseller or distributor, or upon the Supplier's becoming aware of such fact, the Supplier shall use commercially reasonable efforts to immediately discontinue sales of such Product to such material competitor, reseller or distributor.</p>
<p>Termination and survival</p>	<p>The Buyer may terminate the Supply Agreement without cause on not less than 6 months' notice in writing to the Supplier.</p> <p>Without prejudice to any other rights to which it may be entitled, either party may give written notice to the other party terminating the Supply Agreement with immediate effect if (among other reasons):</p>

7. BUSINESS OVERVIEW (CONT'D)

	<p>(a) a party commits a material breach of any term or condition of the Supply Agreement and fails to cure such breach within 30 days after the date of such party receiving written notice of such breach from the other party (in case of material breach, 15 days); or</p> <p>(b) the other party,</p> <ul style="list-style-type: none"> - ceases to carry on business; - becomes insolvent; - becomes subject to voluntary proceedings under bankruptcy or any insolvency law (which proceedings, if involuntary, are not dismissed within 30 days thereafter); - has a receiver, manager or administration appointed or a petition is presented for an administration order, or an administration order is made in respect of the party, or documents are filed with the court for appointment of administrator or the directors of the party give notice of their intention to appoint an administrator in relation to the whole or any part of its business or enters into any composition, scheme of arrangement, compromise or arrangement with its creditors, goes into liquidation (except for the purposes of solvent amalgamation or re-organisation) or undergoes any similar or equivalent process in any jurisdiction; - makes an assignment for the benefit for its creditors; - substantially all of the assets of either party are seized, transferred or attached and not realised within 30 days thereafter; or - the other party attempts to assign the Supply Agreement. <p>(c) the other party's ability to carry out its obligations under the Supply Agreement is prevented or substantially hindered by force majeure and such prevention or hindrance continues for a continuous period exceeding 3 months. In the event of termination in accordance with this clause, neither party shall have any further liability to the other.</p> <p>Termination of the Supply Agreement shall not affect the performance of either party's obligations under any Order and the Supply Agreement shall remain in effect as to an Order outstanding at the time of termination.</p>
<p>Dispute</p>	<p>If either party has cause to terminate the Supply Agreement or if there is a material breach by either party under the Supply Agreement, such party shall provide written notice to that effect to the other party. The parties shall attempt in good faith to amicably resolve any dispute within 30 days by negotiation as follows:</p> <p>(a) first meeting between the responsible commodity / supply managers of each party;</p>

7. BUSINESS OVERVIEW (CONT'D)

	<p>(b) escalation to the Buyer’s Head of Procurement and the Supplier’s Head of Sales; and</p> <p>(c) escalation to the Head of the Supplier’s Business and the Head of Buyer’s business.</p> <p>If, within such 30 day period, the dispute is not resolved to the satisfaction of the party providing notice under this clause, such party may institute legal proceedings against the other party.</p>
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Notes:

- (1) For clarity, the Forecast for the aforesaid initial 12-month period from November 2021 to October 2022 was provided by the Buyer to our Group in October 2021. As at the LPD, the Buyer has purchased more than 85% of the product quantity as set out in the said Forecast from us. Therefore, the Buyer’s commitment to purchase under the Supply Agreement has been satisfied.
- (2) A Biweekly Order is similar to a delivery shipment schedule and not a formal order received. As such, it is not legally binding. For clarity, since entering into the Supply Agreement, the Buyer has been providing our Group with orders on a monthly basis and these orders are legally binding. As at the LPD, the Buyer has not cancelled any of its orders placed to our Group pursuant to the Supply Agreement. In any event, we will seek the Buyer’s confirmation that an order placed to us is a firm order on the Products before we proceed to prepare the orders.
- (3) WESB and Customer E1 have entered into an addendum to the Supply Agreement dated 17 November 2023, with the purpose of extending the term of the Supply Agreement for a further term of 24 months from 17 November 2023 to 17 November 2025.

7.26 ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”) PRACTICES OF OUR GROUP

We are committed to adopting ESG practices such as ensuring environmentally responsible business operations, providing conducive workplaces for employees and maintaining a high standard of corporate governance for sustainable value creation and the overall benefits of our shareholders and stakeholders.

The focus of our ESG practices is as follows:

(i) Environmental

In managing environmental matters, we will focus on, amongst others, the following:

- being committed to environmental protection and stewardship by minimising risks and impacts to the environment in our daily operations;
- adhering to all applicable and relevant environmental regulatory and legal requirements; and
- ensuring that waste generated from our operations is managed and disposed of responsibly.

As at the LPD, we own the ISO 14001:2015 environmental management system certification for our fabrication operations. We will ensure that our fabrication operations continue to comply with the relevant standards to facilitate our continuous retention of the said ISO certification.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Social

In managing social matters, we will focus on, amongst others, the following.

- establishing a safe, healthy, and conducive work environment for our employees;
- cultivating a diverse and inclusive culture that appreciates diversity and individuality;
- ensuring every employee has equal access to opportunities regardless of one's age, gender, ethnicity, religion, national origin, disability, sexual orientation or any other relevant characteristics;
- eliminating improper behaviour, conduct and practices, including but not limited to workplace bullying, discrimination against individual differences, sexual harassment and other forms of discrimination, intimidation and victimisation;
- empowering our workforce by supporting their personal and professional development;
- respecting and upholding the fundamental workers' rights by prohibiting child labour and forced labour of all types of forced labour; and
- contributing to the well-being and development of the surrounding community through corporate social responsibility initiatives, employee volunteerism, employment creation and charity events.

As at the LPD, we have in place safety and compliance policies and procedures for our business operations. We also arrange for safety, health and environmental training for our employees on an annual basis to enhance their awareness on workplace safety and health. In addition, we conduct monthly inspections on our scheduled waste storage, chemical storage as well as emergency procedures to ensure workplace safety.

(iii) Governance

In managing governance matters, we will focus on, amongst others, the following.

- upholding high standards of business ethics, integrity, and corporate governance practices;
- establishing and continually improving appropriate governance structures and processes;
- adhering to all applicable laws and regulations in relation to corporate governance; and
- ensuring the adequacy and integrity of our Group's internal control system through the implementation of appropriate and effective policies and procedures.

We recognise the importance of adhering to a high standard of corporate governance as set out in the MCCG. As at the LPD, we have adopted, amongst others, the following practices of the MCCG:

- (a) at least half of our Board are independent directors;
- (b) at least 30% of our Board are women directors;

7. BUSINESS OVERVIEW (CONT'D)

- (c) our Audit and Risk Management Committee comprises solely of independent directors; and
- (d) our Non-Independent Non-Executive Chairman is not a member of any of our board committees.

In addition, we have put in place a risk management and internal control framework to monitor closely on the risks associated with our objectives.

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8. INDUSTRY OVERVIEW REPORT



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

20 December 2023

The Board of Directors
Wentel Engineering Holdings Berhad
No. 11, Jalan Gagah
Kawasan Perindustrian Larkin
80350 Johor Bahru
Johor

Vital Factor Consulting Sdn Bhd
(Company No.: 199301012059 (266797-T))
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46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: (603) 7931-3188
Fax: (603) 7931-2188
Website: www.vitalfactor.com

Dear Sirs and Madams

Independent Assessment of the Fabricated Metal Product Industry in Malaysia

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, industry assessments and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of Wentel Engineering Holdings Berhad for the listing of its shares on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wong Wai Ling
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

8. INDUSTRY OVERVIEW REPORT (CONT'D)



VITAL FACTOR CONSULTING
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Date of Report: 20 December 2023

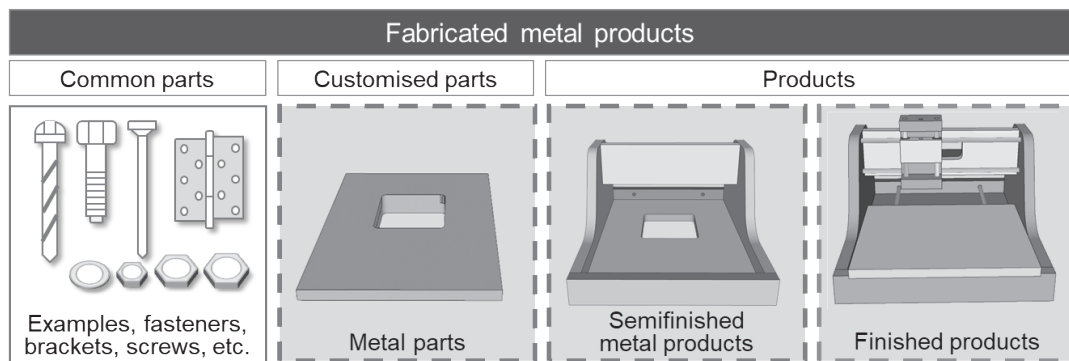
INDEPENDENT ASSESSMENT OF THE FABRICATED METAL PRODUCT INDUSTRY IN MALAYSIA

1. INTRODUCTION

- Wentel Engineering Holdings Berhad together with its subsidiaries (Wentel Engineering Group) is mainly involved in the fabrication of semifinished metal products and parts in Malaysia, and this shall form the focus of this report. Wentel Engineering Group also assemble finished products in the form of walk-through metal detectors.
- All Gross Domestic Product (GDP) referred to in this report is nominal GDP unless mentioned otherwise. Fabrication is part of manufacturing. This report refers to Malaysia unless mentioned otherwise.

2. INDUSTRY OVERVIEW

- Metal fabrication refers to metalworking processes to create common metal parts (such as fasteners, brackets, nuts, bolts and screws) or customised parts (such as machine parts), and products (such as semifinished metal products or finished products).



Wentel Engineering Group fabricates metal parts and semifinished metal products, and also assemble finished products

- Customised metal parts and products can be segmented into the following:
 - metal parts**, which are mainly discrete items with no other installed equipment or wiring, and it is usually used as part of semifinished metal products or finished products;
 - semifinished metal products**, which are workpieces produced by combining several metal parts, and may require the incorporation of other items such as control systems, processing hardware and software, mechanical, electrical and electronic parts to be installed to form the finished product; and
 - finished products**, which are products that are operational and ready to use with or without a power source such as fuel or electricity.
- Fabrication processes include some combination of the following:
 - cutting**, which refers to removing or separating materials from a workpiece, and can be performed using various methods including, cutting, milling, turning, perforating and blanking;
 - forming**, which refers to the changing of the workpiece's shape without adding or removing material from it. Some of the common processes include bending, rolling, roll-forming and stamping; and
 - joining**, which involves combining individual metal parts into a single piece through, among others, welding, soldering, brazing, bolting, screwing and riveting.

8. INDUSTRY OVERVIEW REPORT (CONT'D)



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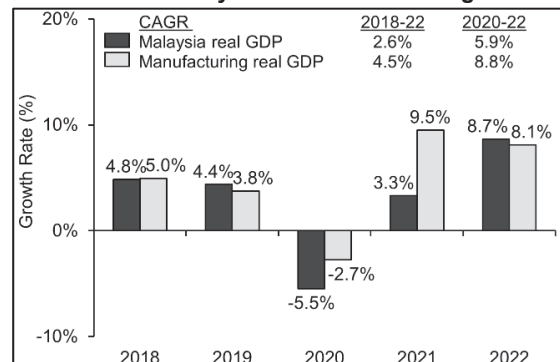
- Fabricated metal products can be made out of a wide range of metals, depending on applications, desired physical and mechanical properties and cost. Steel and aluminium are among the most commonly used metals.
- As Wentel Engineering Group mainly supplies fabricated semifinished metal products and parts for machinery and equipment, mainly security screening equipment, semiconductor manufacturing equipment, computer numerical control (CNC) machines and medical diagnostic equipment, this report will also focus on the following user industries:
 - **security industry**, such as alarm systems, baggage scanners, walk-through metal detectors and airport body scanners;
 - **electrical and electronic (E&E) industry**, such as semiconductor manufacturing equipment and measuring instruments;
 - **machining industry**, such as CNC tooling machines including milling, bending, cutting and welding equipment; and
 - **medical industry**, such as X-ray machines, dialysis machines and ultrasound machines.

3. PERFORMANCE OF THE FABRICATED METAL PRODUCT INDUSTRY IN MALAYSIA

3.1 Gross domestic product

- GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP provides a measure of “real” changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices.
- The fabricated metal product industry is a part of the larger manufacturing sector. Fabricated metal parts and semifinished metal products are commonly used in manufacturing of machinery and equipment. Thus, a growing manufacturing sector in Malaysia would present growth opportunities for the fabricated metal product industry.
- The overall economic health, as indicated by real GDP, has an impact on the fabricated metal product industry. Growing domestic and foreign demand will stimulate domestic consumption and export to support the manufacturing industry.
- In 2022, the real GDP of the Malaysian economy expanded by 8.7%, driven by domestic demand and an improved labour market resulting from the increase in household spending, investment and tourism, as well as robust external demand. As for the manufacturing sector, the real GDP grew by 8.1% and this was mainly supported by rising global demand and expansion in domestic industries.
- For the first 9 months (9M) of 2023, the real GDP of the Malaysian economy and manufacturing sector grew by 3.9% and 1.1% respectively compared to 9M 2022. Overall, in 2023, the real GDP of the Malaysian economy is estimated to expand by approximately 4.0%, and is forecasted to expand between 4.0% and 5.0% in 2024. The growth is anticipated to be driven by the sustained domestic consumption and improved export activities. Meanwhile, the real GDP of the manufacturing sector

Real GDP of Malaysia and manufacturing sector



CAGR = compound annual growth rate (Source: Department of Statistics Malaysia (DOSM))

8. INDUSTRY OVERVIEW REPORT (CONT'D)



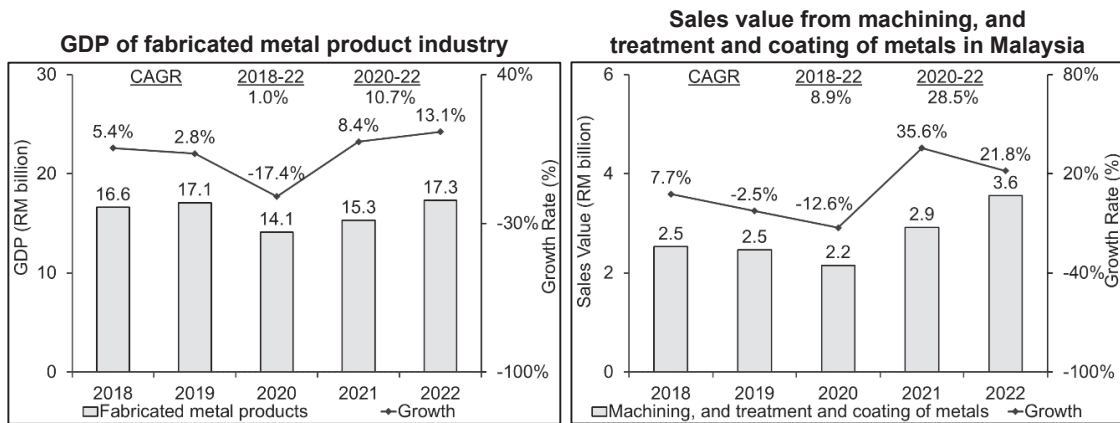
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is estimated to grow by 1.4% in 2023, and is forecasted to grow by 4.2% in 2024. (Source: Ministry of Finance (MOF)).

- A growing real GDP of the Malaysian economy and the manufacturing sector will provide the platform for sustainability and growth for operators within the fabricated metal product industry in Malaysia.

3.2 Performance of the fabricated metal product industry

- Wentel Engineering Group operates within the fabricated metal product industry. In 2022, the GDP of fabricated metal product industry grew by 13.1% to RM17.3 billion. The growth in 2022 continues from the growth in 2021 after the dip in 2020 arising from the impact of the COVID-19 pandemic. For 9M 2023, the GDP of fabricated metal product industry grew by 8.1% to RM13.9 billion compared to 9M 2022.



(Source: DOSM)

- Fabricated metal products are manufactured through metalworking service activities, which include machining activities such as cutting, boring, turning, milling, grinding, polishing and welding of metal workpieces. It also includes metal treatment such as annealing (heat treatment), surface treatment such as cleaning, blasting and polishing, and coating including plating, painting and powder coating which is under the machining, and treatment and coating of metals, a subset of the overall fabricated metal product industry. Most of the above activities are also carried out by Wentel Engineering Group.
- In 2021 and 2022, sales value from the machining, and treatment and coating of metals grew by 35.6% and 21.8% respectively, attributed to the recovery of demand from the supply disruption resulting from the COVID-19 pandemic. For 9M 2023, sales value from the machining, and treatment and coating of metals grew by 15.3% compared to 9M 2022.

4. DEMAND DEPENDENCIES

- This section will assess the performance of the key user industries of Wentel Engineering Group, as demand for fabricated metal products is dependent on the user industries.

4.1 Machinery and equipment industry

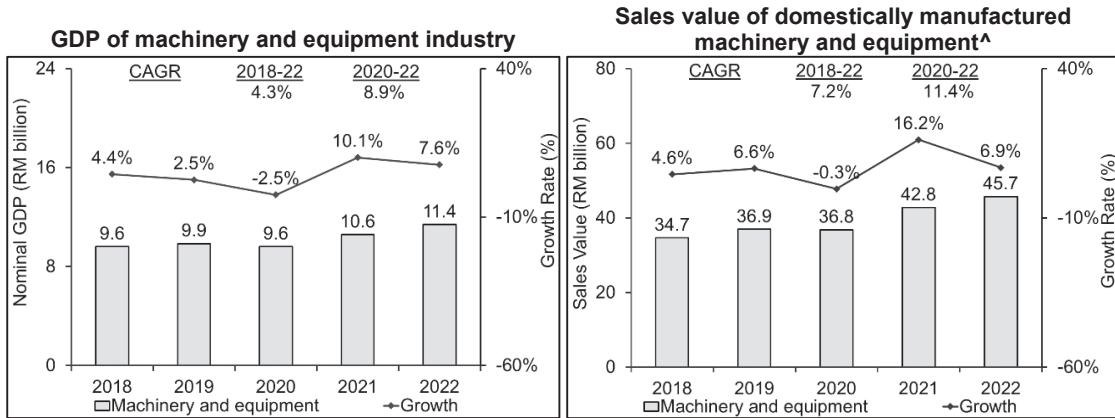
- Growth in machinery and equipment industry is one of the factors of demand for the fabricated metal product industry. Machinery and equipment are mainly used for the manufacturing sector and act as the key pillar of industrial growth and development (Source: Malaysian Investment Development Authority (MIDA)).

8. INDUSTRY OVERVIEW REPORT (CONT'D)



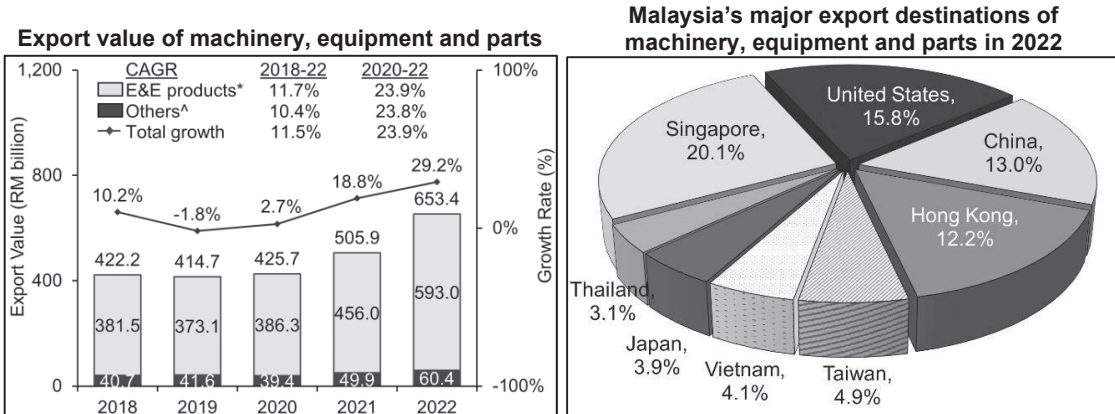
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- In 2022, the GDP of the machinery and equipment industry, which is part of the manufacturing sector, amounted to RM11.4 billion. For 9M 2023, GDP of the machinery and equipment industry declined by 3.4% to RM8.6 billion compared to 9M 2022.



[^] Include parts and components (Source: DOSM)

- In 2022, the sales value of domestically manufactured machinery and equipment (including parts and components) grew by 6.9% to RM45.7 billion. For 9M 2023, the sales value of domestically manufactured machinery and equipment declined by 2.1% to RM32.9 billion compared to 9M 2022. The large size of the user industry for fabricated metal products would help sustain as well as provide opportunities for operators within the industry.
- In 2022, machinery, equipment and parts continued to be Malaysia's major export earner, where the export value was at RM653.4 billion, accounted for 42.2% of the total value of gross exports of RM1.6 trillion. In 2022, 90.8% of the export value of machinery, equipment and parts was contributed by the export value of E&E products. (Source: DOSM)



* Include machinery, equipment, appliances and parts; [^] Include power generating, specialised, metal working and other industrial machinery, equipment and parts (Source: DOSM, Vital Factor analysis) **Note:** No further segmentation available for the data above

- In 2022, the export value of machinery, equipment and parts grew by 29.2% to RM653.4 billion, contributed by 30.0% growth from E&E products, and 21.0% growth from other machinery, equipment and parts. The increase in E&E exports was mainly due to robust demand for semiconductors, driven by the upward global trend for digitalisation and technology upcycle. In 2022, the top three largest exporting countries for machinery, equipment and parts were Singapore, the United States (US) and China. Singapore is a major global hub for semiconductor manufacturing services, as well as a key node in the global supply chain for products ranging from storage and memory products to microelectromechanical systems (Source: Singapore Economic Development Board). For 9M 2023, export value of machinery, equipment and parts declined by 1.4% compared to 9M 2022.

8. INDUSTRY OVERVIEW REPORT (CONT'D)

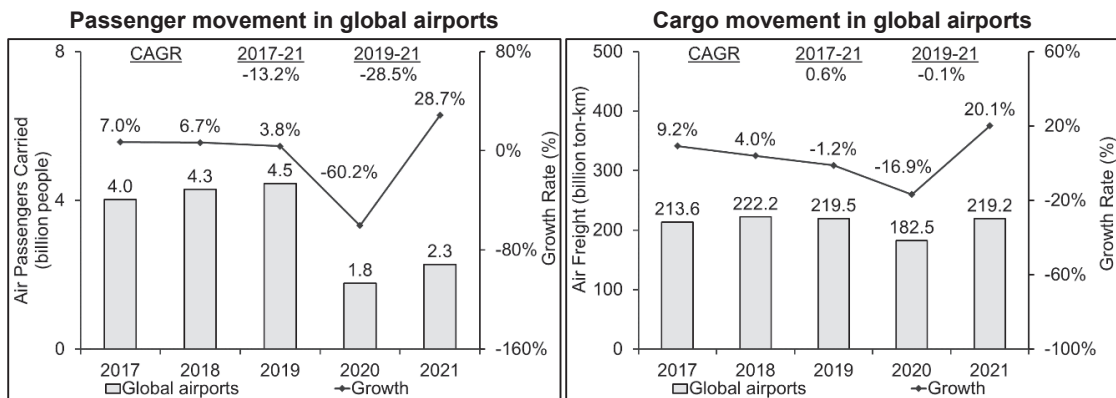


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- Wentel Engineering Group's customer base consist of manufacturers of semiconductor manufacturing equipment, which forms a crucial part of the supporting industry to the overall E&E industry. As such, a large export of E&E products would provide opportunities for operators within the fabricated metal product industry that service the E&E industry.

4.2 Security scanning equipment

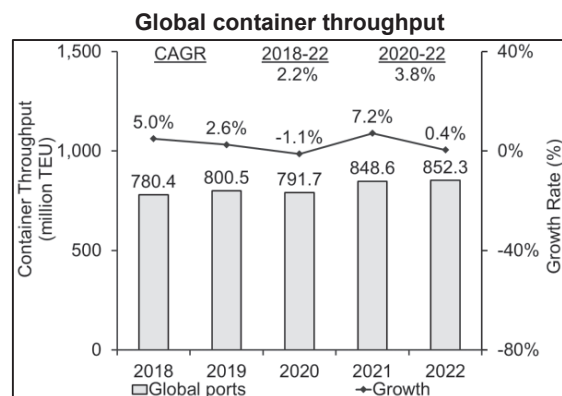
- Wentel Engineering Group is involved in the fabrication of metal bodies of security screening equipment and the assembly of walk-through metal detectors. These are security equipment commonly used in airports, seaports and border crossings, large crowd events such as FIFA World Cup, Olympics and concerts, as well as embassies and some government buildings. As there are no official statistics captured on the security scanning industry, therefore the growth in passenger air travels and air cargo movement, as well as container throughput are used as a proxy to indicate the demand for such equipment.



Note: Latest available data (Source: Vital Factor analysis)

- In 2021, passenger and cargo movements in global airports grew by 28.7% and 20.1% respectively due to the recovery of economic activities from the COVID-19 pandemic.

- In 2021, container throughput in global ports grew by 7.2% to 848.6 million twenty-foot equivalent units (TEU). The growth was driven by the continued consumer spending attributed to the recovery of the global economy, as well as the easing of restrictions and increasing economic activities attributed to the weakening impact of the COVID-19 pandemic. In 2022, the container throughput in global ports continued to grow by 0.4% to 852.3 million TEU.



(Source: Vital Factor analysis)

- The rising freight volumes and structural growth in e-commerce also promote the need for international logistics, which give rise to the requirement for better facilities and higher capacity of airports, seaports and land border crossings, thereby creating the demand for security screening equipment.

4.3 Semiconductor manufacturing equipment

- Wentel Engineering Group is involved in the fabrication of metal parts for the semiconductor manufacturing equipment industry. Semiconductor manufacturing equipment includes equipment, machines and apparatus solely or principally used in the manufacturing of wafers,

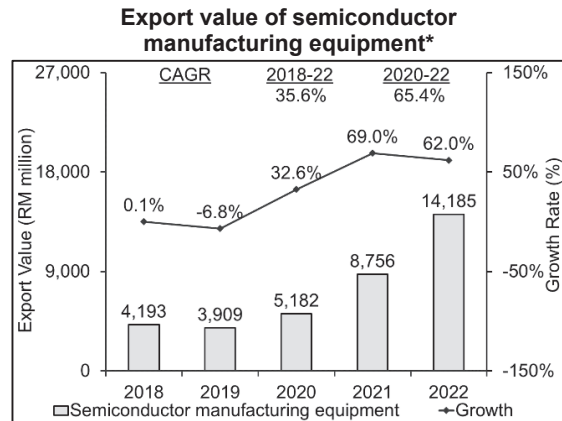
8. INDUSTRY OVERVIEW REPORT (CONT'D)



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semiconductor devices, integrated circuits or flat panel displays, related parts and accessories, equipment, machines and apparatus solely or principally used for the manufacture or repair of masks and reticles, assembling semiconductor devices or electronic integrated circuits, and lifting, handling, loading/unloading of boules, wafers, semiconductor devices, electronic integrated circuits and flat panel displays.

- Between 2020 and 2022, the export value of semiconductor manufacturing equipment grew at a CAGR of 65.4% to RM14.2 billion in 2022. The high growth was mainly attributed to the robust demand for semiconductors, driven by the upward global trend for digitalisation and technology upcycle, as well as expansion in production capacity by the semiconductor manufacturers in Malaysia. In 2022, the top three export destinations were Singapore, the US and China, which accounted for 62.6%, 13.1% and 6.3% of the export value respectively (Source: DOSM). For 9M 2023, export value of semiconductor manufacturing equipment declined by 9.0% compared to 9M 2022.



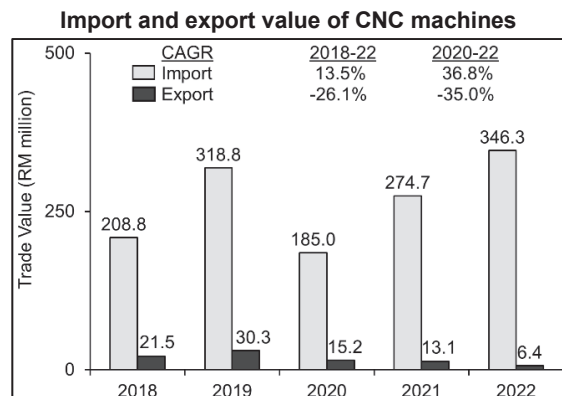
* Includes equipment, machinery, parts and accessories (Source: DOSM) Note: No further segmentation available for the data above

- In 2021, the global sales of semiconductors grew by 26.2% to reach USD555.9 billion, mainly driven by significant growth across all major product categories, particularly integrated circuit products, sensors and discrete semiconductors. In 2022, the global sales of semiconductors grew by 3.3% to USD574.1 billion. For 9M 2023, the global sales declined by 14.1% compared to 9M 2022 amid the increasing global inflation and weakening demand for consumer products. (Source: Vital Factor analysis)

4.4 CNC machines

- Wentel Engineering Group is involved in the fabrication of metal bodies for CNC machines. CNC machines include milling, lathe, drilling and boring machines which are used in the manufacturing process.

- Malaysia is a net importer of CNC machines. In 2022, the import value of CNC machines grew by 26.1% to RM346.3 million. In 2022, the top three importing countries were Japan, China and Taiwan which accounted for 28.6%, 20.3% and 13.2% of the import value respectively (Source: DOSM).



(Source: DOSM, Vital Factor analysis)

- In 2022, the export value of CNC machines declined by 51.2% to RM6.4 million. The top three exporting destinations were India, Singapore and Indonesia, which accounted for 35.0%, 16.5% and 14.2% of the export value respectively (Source: DOSM).

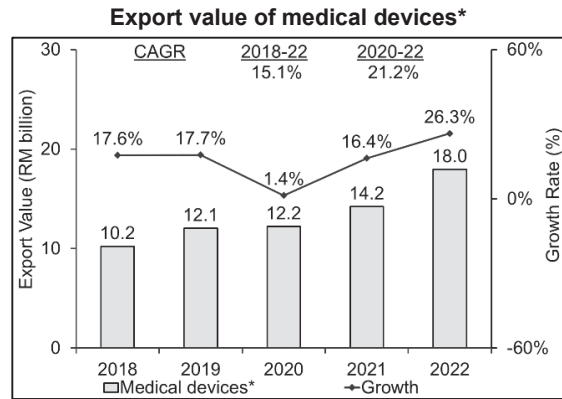
- For 9M 2023, the import value of CNC machines declined by 33.6% to RM149.2 million, while the export value of CNC machines grew by 365.7% to RM22.1 million compared to 9M 2022. The growth of export value was mainly due to increased number of exporting destinations from 10 countries for 9M 2022 to 18 countries for 9M 2023.

8. INDUSTRY OVERVIEW REPORT (CONT'D)



4.5 Medical devices

- Wentel Engineering Group is involved in the fabrication of metal parts for medical diagnostic equipment. Demand for medical devices has increased following the increase in global clinical and hospital services as a result of the COVID-19 pandemic.
- In 2022, Malaysia's export value of medical devices grew by 26.3% to RM18.0 billion. In 2022, the top three destinations for exported medical devices are the US, Germany and Belgium accounting for 29.3%, 13.9% and 13.8% respectively (Source: DOSM). For 9M 2023, the export value of medical devices grew by 9.9% compared to 9M 2022.

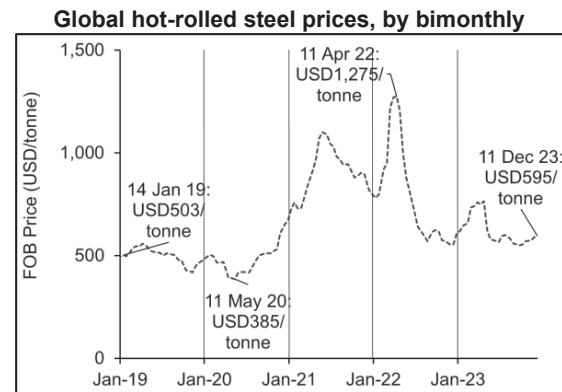


* Exclude medical gloves (Source: DOSM, Vital Factor analysis)

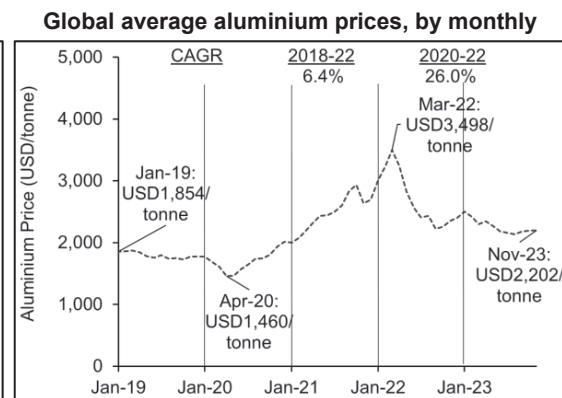
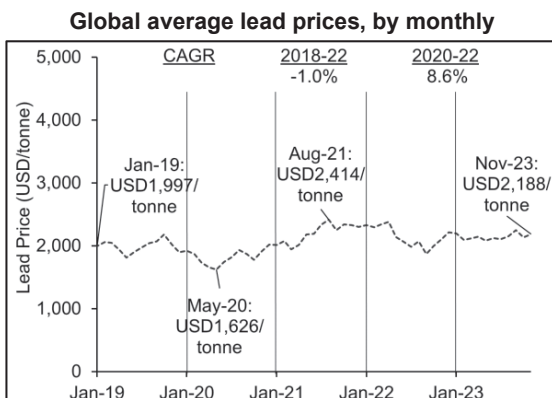
5. SUPPLY DEPENDENCIES

5.1 Global steel, lead and aluminium prices

- The fabricated metal product industry in Malaysia is subject to fluctuations in global metal prices such as steel, lead and aluminium prices. Wentel Engineering Group mainly purchase steel, lead and aluminium as the main input materials for its fabrication operations.
- The global hot-rolled steel prices increased by 231.2% over approximately two years from USD385 per tonne on 11 May 2020 to USD1,275 per tonne on 11 April 2022, which subsequently declined by 53.3% to USD595 per tonne on 11 December 2023.



FOB = Free on board; Note: Data range is from 14 Jan 2019 to 11 Dec 2023 (Source: Vital Factor analysis)



Note: Data range is from Jan 2019 to Nov 2023 (Source: Vital Factor analysis)

- The global lead prices were relatively stable between January 2019 and November 2023. The global average aluminium prices grew by 139.6% over approximately two years from USD1,460 per tonne in April 2020 to USD3,498 per tonne in March 2022, which subsequently declined by 37.0% to USD2,202 per tonne in November 2023.

8. INDUSTRY OVERVIEW REPORT (CONT'D)**VITAL FACTOR CONSULTING**

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- Overall, between 2020 and 2022, global steel and aluminium prices experienced significant volatility due to the impact of the COVID-19 pandemic on global supply chains and demand. In early 2022, the prices increased further due to supply concerns attributed to the Russia-Ukraine conflict. Between April 2022 and November 2023, global steel and aluminium prices started to decline due to the subdued global demand amid growing inflationary pressures and the tightening of financial conditions, as well as improved global supply of aluminium from China.

5.2 Labour supply and cost

- As the manufacture of fabricated metal products is labour-intensive, operators in the industry may rely on foreign workers to meet their labour needs. Various factors including, among others, the hiring freeze on foreign labour between June 2020 and August 2022 have contributed to a shortage of labour across various sectors during that period. In January 2023, the Government introduced the Foreign Worker Recruitment Relaxation Plan to temporarily ease quota and application requirements for the hiring of foreign workers from selected industries including manufacturing until 31 March 2023. Additionally, the Illegal Immigrant Recalibration Plan 2.0 which regularises undocumented immigrants as legal foreign workers, was reintroduced from 27 January 2023 until the end of 2023. These are expected to ease the labour needs of the manufacturing industry, which includes operators such as Wentel Engineering Group.
- Labour costs represent a significant proportion of the cost in the manufacturing of fabricated metal products. Effective May 2022, the Ministry of Human Resources (MOHR) increased the monthly minimum wage from RM1,200 to RM1,500 for employers with five or more employees or those employers who carry out a professional activity. For employers with less than five employees, the increase took effect from July 2023 onwards. (Source: MOHR) This has increased the overall cost of manufacturing for all operators in the industry including Wentel Engineering Group.

6. COMPETITOR LANDSCAPE

- The fabricated metal product industry is diversified where the manufacturers of fabricated metal products produce a wide range of intermediate and finished metal products across various industries. The following is a list of companies that are involved in the manufacture of fabricated metal products for machinery and equipment in Malaysia. These companies may also be involved in other business activities. It is not an exhaustive list and serves to indicate the performance of companies with activities similar to Wentel Engineering Group.

Company/Group	FYE ⁽¹⁾	Rev ⁽²⁾ (RM mil)	GP ⁽²⁾ (RM mil)	GP Margin (%)	NP/(NL) ⁽²⁾ (RM mil)	NP/(NL) Margin (%)
Frencken Mechatronics (M) S/B ⁽³⁾	Dec-22	393.9	63.9	16.2	35.5	9.0
Trend Technologies Malaysia S/B	Dec-22	385.4	64.0	16.6	32.9	8.5
*Dufu Technology Corp. Bhd	Dec-22	304.0	n.a.	n.a.	67.0	22.0
*UWC Bhd	Jul-23	271.7	n.a.	n.a.	53.8	19.8
Grand Venture Technology S/B ⁽⁴⁾	Dec-22	182.6	52.7	28.9	24.8	13.6
*CPE Technology Bhd	Jun-23	145.3	51.5	35.5	30.3	20.9
^Coraza Integrated Technology Bhd	Dec-22	143.3	37.4	26.1	14.7	10.3
Wentel Engineering Group	Dec-22	117.5	31.2	26.5	20.5	17.4
Intec Precision Engineering S/B	Sep-22	116.5	31.5	27.1	17.0	14.6
^SFP Tech Holdings Bhd	Dec-22	85.8	43.0	50.1	32.0	37.3
MACE Instrumentation S/B ⁽⁵⁾	Dec-22	76.5	16.0	21.0	10.2	13.4

8. INDUSTRY OVERVIEW REPORT (CONT'D)**VITAL FACTOR CONSULTING**

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Company/Group	FYE ⁽¹⁾	Rev ⁽²⁾ (RM mil)	GP ⁽²⁾ (RM mil)	GP Margin (%)	NP/(NL) ⁽²⁾ (RM mil)	NP/(NL) Margin (%)
IPE Automation S/B	Dec-22	72.9	16.5	22.6	(2.0)	(2.8)

* Public listed company on the Main Market of Bursa Securities; ^ Public listed company on the ACE Market of Bursa Securities; FYE= financial year end; Grp = Group; Rev = revenue; mil = million; GP = gross profit; NP = net profit after tax; NL = net loss after tax; Bhd = Berhad; S/B = Sdn Bhd; n.a. = information not available.

(1) Latest available audited financial information from the Companies Commission of Malaysia, annual reports of respective companies and Wentel Engineering Group

(2) May include other business activities, products and countries.

(3) A subsidiary of Frencken Group Limited, a listed entity on the Mainboard of Singapore Exchange.

(4) A subsidiary of Grand Venture Technology Limited, a listed entity on the Mainboard of Singapore Exchange.

(5) A subsidiary of JHM Consolidated Berhad, a listed entity on the Main Market of Bursa Securities.

- The criteria for selection of the above companies are they have fabrication facilities in Malaysia and they are involved in the fabrication of metal products or metal parts for either one of the user industries including security scanning equipment and/or semiconductor manufacturing equipment and/or medical equipment and/or CNC machines.

7. BARRIERS TO ENTRY

- There are few barriers to entry for the fabricated metal product industry as there are no onerous licences, regulations or restrictions governing the entry of new players. Additionally, there are no material impediments to purchasing, selling, importing and exporting these fabricated metal products.
- Some of the barriers to entry include capital investment required in purchasing machinery and equipment and sufficient working capital to purchase input materials. Based on Investment Performance Report in 2022, there were over 1,000 industry players in Malaysia including integrated providers that supply low-volume, high-mix products as well as various fabricated metal parts and modules that cater for high-technology industries (Source: MIDA).

8. MARKET SIZE AND SHARE

- The market size in Malaysia and market share of Wentel Engineering Group are estimated below:

2022 – Manufacturing	Market Size ^(a)	Wentel Engineering Group	
		Revenue ^{(b) (1)}	Market Share ⁽²⁾
Fabricated metal products (GDP)	RM17.3 billion	RM105.9 million	Less than 1%
Machining, treatment and coating of metals	RM3.6 billion	RM105.9 million	3%

Source: (a) DOSM; (b) Wentel Engineering Group.

(1) Wentel Engineering Group's fabrication revenue (total revenue less revenue from the assembly of finished products) for the financial year ended 31 December 2022.

(2) Wentel Engineering Group's fabrication revenue divided by respective market sizes, multiplied by 100%.

9. INDUSTRY CONSIDERATION FACTORS

Some of the industry consideration factors that will serve as the platform for growth for operators within the fabricated metal product industry include the following:

- In 2022, the GDP of the fabricated metal product industry grew by 13.1% to RM17.3 billion, while sales value from the machining, and treatment and coating of metals grew by 21.8% to RM3.6 billion. For 9M 2023, the GDP of fabricated metal product industry grew by 8.1% to RM13.9 billion, while sales value from the machining, and treatment and coating of metals grew by 15.3%

8. INDUSTRY OVERVIEW REPORT (CONT'D)



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to RM2.9 billion compared to 9M 2022. These industry sectors are large and their continuing growth will provide opportunities to operators within the industry sectors.

- Fabricated metal products depend on the machinery and equipment manufacturing industry for the demand for parts such as, among others, metal enclosures, frames and brackets. In 2022, the GDP of the machinery and equipment industry, sales value of domestically manufactured machinery and equipment (including parts and components) and export value of machinery, equipment and parts grew by 7.6%, 6.9% and 29.2% respectively. Growth in these sectors will help sustain as well as provide growth opportunities to operators within the fabricated metal product industry.
- For 9M 2023, the GDP of the machinery and equipment industry, sales value of domestically manufactured machinery and equipment (including parts and components) and export value of machinery, equipment and parts declined by 3.4%, 2.1% and 1.4% respectively compared to 9M 2022. (*Source: DOSM*). The decline was mainly due to lower E&E production amid technology downcycle, resulting from the weak global growth and tight financial conditions.
- The demand for the machinery and equipment manufacturing industry is closely related to its user industries, which cover a wide range of applications across several industries including security equipment, E&E products, CNC machines and medical devices industries. The wide applications of fabricated metal products will provide the platform for growth for operators within the fabricated metal product industry.
- Machinery and equipment involved in the security industry include, among others, security scanning equipment and walk-through metal detectors. Such equipment is often deployed in border crossings, large crowd events as well as embassies and some of the government buildings. Social and economic activities have been returning to normal following the waning effects of the COVID-19 pandemic. As a result, the demand for security equipment will increase arising from the expected increase in cross-border traffic in both goods and people, as well as the organisation of more large crowd events.
- In addition, the large export values of the semiconductor manufacturing machinery and medical devices industries which amounted to RM14.2 billion and RM18.0 billion respectively in 2022, as well as their respective CAGR between 2020 and 2022 of 65.4% and 21.2% would provide growth opportunities for fabricators of metal products that serve these industries, including Wentel Engineering Group. For 9M 2023, export values of the semiconductor manufacturing equipment declined by 9.0%, while export values of the medical devices grew by 9.9% compared to 9M 2022.
- The demand for the machinery and equipment industry is also heavily influenced by the development of the economy and the manufacturing sector, which are progressively replacing human labour with machines and equipment. For 9M 2023, the real GDP of Malaysia and the manufacturing sector grew by 3.9% and 1.1% respectively compared to 9M 2022. Overall, in 2023, the real GDP of the Malaysian economy is estimated to expand by approximately 4.0%, and is forecasted to expand between 4.0% and 5.0% in 2024. Meanwhile, the real GDP of the manufacturing sector is estimated to grow by 1.4%, and is forecasted to grow by 4.2% in 2024 (*Source: MOF*).
- Under the Budget 2024, a total of RM100 million has been allocated to provide a digitalisation grant of up to RM5,000 for each qualified applicant that will benefit more than 20,000 micro, small and medium enterprises. In addition, a total of RM900 million loan fund under Bank Negara Malaysia is provided to encourage small and medium enterprises to increase business productivity through automation and digitisation. (*Source: MOF*) These are to encourage the uptake of digital technologies in businesses to drive automation, which require investment in machinery and equipment. Growing investment in machinery and equipment in Malaysia, particularly in the manufacturing sector, will continue to provide opportunities for providers in the fabricated metal product industry.